

EVENT CHRONOLOGY

<u>Date</u>	<u>ALGX Volume</u>	<u>ALGX Price</u>	<u>% Chg</u>	<u>Residual % Chg</u>	<u>Time</u>	<u>Source</u>
6/30/2002						
7/1/2002	1,045,700	\$ 1.43	-21.9%			
7/2/2002	779,700	\$ 1.27	-11.2%			
7/3/2002	2,142,700	\$ 1.20	-5.5%			
7/5/2002	702,300	\$ 1.33	10.8%			
7/8/2002	1,108,700	\$ 1.17	-12.0%			
7/9/2002	559,300	\$ 1.18	0.9%			
7/10/2002	452,900	\$ 1.17	-0.8%			
7/11/2002	833,500	\$ 1.22	4.3%			
7/12/2002	2,866,000	\$ 1.16	-4.9%			
7/15/2002	681,300	\$ 1.09	-6.0%			
7/16/2002	821,400	\$ 1.10	0.9%			
7/17/2002	737,600	\$ 1.08	-1.8%			
7/18/2002	714,400	\$ 1.05	-2.8%			
7/19/2002	1,302,700	\$ 1.10	4.8%			
7/22/2002	1,521,069	\$ 1.14	3.6%			
7/23/2002	767,652	\$ 1.11	-2.6%			
7/24/2002	637,709	\$ 1.16	4.5%			
7/25/2002	901,647	\$ 1.22	5.2%			
7/26/2002	1,914,990	\$ 1.21	-0.8%			
7/29/2002	626,393	\$ 1.23	1.7%			
7/30/2002	1,244,845	\$ 1.50	22.0%		16:01	PRN
7/31/2002	2,682,421	\$ 1.23	-18.0%		9:10	William Blair

Event

(Cont'd) Allegiance's recent purchase of WorldCom's customer premise equipment provisioning and maintenance businesses for \$30 million is expected to add incremental revenue of \$30 million each quarter, of which \$15 million can be applied to the bank covenant. While this additional revenue should provide a cushion to Allegiance to remain in compliance with the covenant, Fitch's concern is that without this purchase, in the coming quarters the company may have violated the covenants, as it is unclear to what extent the core business growth is slowing. By Fitch's estimates, the company will have less than \$300 million in cash at the end of 2Q02, with \$150 million still remaining undrawn on its credit facility. Since the company is not generating any cash flow at this time, it is apparent that if Allegiance did violate a bank covenant and was forced to pay back the \$350 million outstanding balance on the facility, it would not have sufficient funds to do so.

Lowering rating to Sell with \$0.50 price target. We now forecast cash deficits will lead to restructuring.

UBS

Raising rating to Add from Hold with price target \$3. Announced acquisition last month which will help keep revenue covenants at bay.

CLS

Allegiance Telecom announces double digit sequential revenue growth and improved EBITDA and cash burn in 2Q. 2Q02 Revenues of \$184.4 million, resulting in annual increase of 48.7 percent. Approx. \$10 million improvement in EBITDA from 1Q02 with EBITDA loss margin reduced to 6.4 percent in 2Q02 from 13.4% in 1Q02 (before giving effect to charges related primarily to WorldCom exposure in 2Q02). Senior lender would like to look into modifying senior credit facility to place greater emphasis on profitability and cash preservation, with less emphasis on growth while also strengthening some of the restricted covenants in the facility.

Allegiance posted solid 2Q results; revenue \$184.4m, slightly below guidance of \$185 million; expects to turn EBITDA positive late in 3Q.

Hold

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

OSCAR PRIVATE EQUITY
INVESTMENTS, Individually And On
Behalf of All Others Similarly Situated,

Plaintiffs,

v.

ROYCE J. HOLLAND and
ANTHONY PARELLA,

Defendants.

No. 3:03-CV-2761-H

**JOINT AFFIDAVIT OF JOSEPH A FANCIULLI, REBECCA S.
HANNAWAY, AND JOHN G. VONDRAS, REGARDING THE EXPERT
REPORT OF PARAGON AUDIT & CONSULTING, INC.**

We, Joseph A. Fanciulli, Rebecca S. Hannaway, and John G. Vondras,
being over the age of 18, hereby state under the penalty of perjury that:

1. Paragon Audit & Consulting, Inc. ("Paragon"), with Joseph A. Fanciulli, Rebecca S. Hannaway, and John G. Vondras, has been retained by plaintiffs' counsel in the above-referenced litigation to prepare an expert report in support of plaintiffs' supplemental submission regarding class certification (the "Expert Report"). A true and correct copy of the Expert Report is attached hereto as **Exhibit 1**, and is incorporated herein by reference.

2. Paragon provides a wide range of audit and consulting services, as well as market intelligence, to the domestic and international telecommunications industries. Paragon's services range from assessment of internal controls and regulatory/policy compliance to solutions implementation. This background is set forth in Section I.1 of the Expert Report.

3. Mr. Fanciulli is the President Paragon. Mr. Fanciulli has substantial experience in the telecommunications industry, including directing domestic and international auditing, security functions, investigating fraud, and overseeing compliance for major telecommunications companies. His professional background is more fully set forth in Section I.2 of the Expert Report, and a true and correct copy of his curriculum vitae is attached hereto as **Exhibit 2**.


4. Ms. Hannaway is the Director of Systems and Operation at Paragon. Ms. Hannaway has over 20 years of experience in the telecommunications, cable and internet industries, with over twenty years of managerial experience in telecommunications systems development, network operations, risk management, and legal/regulatory compliance. Her professional background more fully is set forth in Section I.3 of the Expert Report, and a true and correct copy of her curriculum vitae is attached hereto as **Exhibit 3**.

5. Mr. Vondras serves as a Staff Consultant for Paragon. Mr. Vondras has over

36 years of experience in the telecommunications and cable industries, including operations evaluation and improvement, engineering, customer service, human resources, as well as public policy and regulatory compliance. His professional background is more fully set forth in Section I.4 of the Expert Report, and a true and correct copy of his curriculum vitae is attached hereto as **Exhibit 4**.

Signed and sworn under penalty of perjury.

Dated this 31st day of October, 2007



Joseph A. Fanciulli

Dated this 31st day of October, 2007

Rebecca S. Hannaway

Dated this 31st day of October, 2007

John G. Vondras

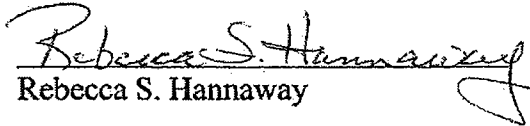
36 years of experience in the telecommunications and cable industries, including operations evaluation and improvement, engineering, customer service, human resources, as well as public policy and regulatory compliance. His professional background is more fully set forth in Section I.4 of the Expert Report, and a true and correct copy of his curriculum vitae is attached hereto as **Exhibit 4**.

Signed and sworn under penalty of perjury.

Dated this 31st day of October, 2007

Joseph A. Fanciulli

Dated this 31st day of October, 2007



Rebecca S. Hannaway

Dated this 31st day of October, 2007

John G. Vondras

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Dated this 31st day of October, 2007

Joseph A. Fanciulli

Dated this 31st day of October, 2007

Rebecca S. Hannaway

Dated this 31st day of October, 2007



John G. Vondras

EXHIBIT 1

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

OSCAR PRIVATE EQUITY INVESTMENTS,
Individually And On Behalf of All Others
Similarly Situated,

No. 3:03-CV-2761-H

Plaintiffs,

v.

ROYCE J. HOLLAND and ANTHONY
PARELLA,

Defendants.

**EXPERT REPORT OF PARAGON AUDIT & CONSULTING, INC., BY
JOSEPH A. FANCIULLI, REBECCA S. HANNAWAY, AND JOHN G.
VONDRAS, IN SUPPORT OF PLAINTIFFS' SUPPLEMENTAL
SUBMISSION REGARDING CLASS CERTIFICATION**

I. Background and Qualifications of the Experts.

1. **Paragon Audit & Consulting, Inc.** ("Paragon") serves the domestic and international telecommunications, cable television, and technology business communities' audit and consulting needs, from controls and regulatory/policy compliance environment assessments to solutions implementation. We are operational and audit professionals with Regional Bell Operating Company, cable and telecommunications, technology and law enforcement experience. Our group has successfully addressed financial, operational, investigative and legal & regulatory compliance issues for clients throughout the United States, Europe and Asia.

2. **Joseph A. Fanciulli, CFE, CPP.**

a. Mr. Fanciulli has served as the President of Paragon since June 2003. His address is 300 Gulf Drive, Venice, FL, 34285. Mr. Fanciulli holds a BA in English from La Salle University and an MBA from the University of Phoenix. Prior to forming Paragon, Mr. Fanciulli spent 14 years working in the telecommunications industry, directing domestic and international audit, fraud, compliance, and security functions for U.S. West, MediaOne Group, and AT&T Broadband. Prior to his telecommunications work, Mr. Fanciulli had a 20-year career in law enforcement, serving as a police agent, detective and detective sergeant with the Lakewood (Colorado) Police Department. In those positions, Mr. Fanciulli specialized in the investigation of economic crime.

b. Mr. Fanciulli has previously testified as an expert witness in the following cases: Jacobson v. Latin Quarter III, LLC; Landstar Investments v. Leroux; In re Estate of Meadoff; Gibson v. Bank of America; and Sunshine Mortgage Corp., et al. v. Baler and NVR Settlement Services, Inc.

3. **Rebecca S. Hannaway.** Ms. Hannaway serves as the Director of Systems and Operations for Paragon. Her address is 2821 Chase Dr., Ft Collins, CO 80525. Ms. Hannaway has over 20 years management experience in the telecommunications, cable and internet industries. Areas of expertise include systems development, network operations, risk management and legal/regulatory compliance. Ms. Hannaway is trained as a Total Quality Management (TQM) facilitator, leading operational teams through process analysis and reengineering to reduce costs and improve efficiency. Most recently, Ms. Hannaway was

Director of Legal Demands for Comcast, where she managed internal investigations, the processing of subpoenas, network interceptions, E911 emergency support, and Digital Millennium Copyright Act (DMCA) violations. Prior to her work at Comcast, while working at U.S. West, she also had similar responsibilities, which included handling Public Utility Commission (PUC) complaints. Ms. Hannaway has been recognized as a leader in cable internet security matters and has been an industry speaker at the National Cable Television Association, Communications Fraud Control Association and FBI TICTU seminars. Ms. Hannaway currently holds a Top Secret clearance under the Foreign Intelligence Surveillance Act, and has received several commendations for her work with the Department of Justice.

4. **John G. Vondras, P.E.**

a. Mr. Vondras has served as a Consultant for Paragon since February 2007. His address is 12133 East Gold Dust Avenue, Scottsdale, AZ. Mr. Vondras holds a Bachelor of Science degree in Mechanical Engineering and a Master of Science degree in Industrial Engineering from the University of Nebraska. Mr. Vondras is a registered professional engineer in Nebraska and Minnesota. He has over 36 years of experience in the telecommunications and cable industry, and is known for his ability to evaluate and improve operations in a variety of complex environments. His experience includes M&A activities in Europe and Asia, finance, engineering, customer service, regulatory, public policy and human resources in the telecommunications field. Mr. Vondras has served as interim managing director for Belize Telephone Ltd., and provided management oversight

for cable companies in the French Antilles and eastern France. Mr. Vondras served as President Director and CEO at a U.S. WEST joint venture in Indonesia, managing a 15 year Build Operate and Transfer arrangement from its inception. He was previously acting General Auditor for US WEST.

b. Mr. Vondras previously testified as an expert witness in Belize Telecom/ICC v. Government of Belize.

5. Paragon will be compensated at the rate of \$250/hour for its expert services in connection herewith.

II. Information Considered.

6. The experts' opinions are based on their professional experience in the telecommunications industry, industry-specific research, as well as court documents and other materials specific to this action, including:

a. The Amended Class Action Complaint for Violations of Federal Securities Laws (the "Complaint") on file in this matter.

b. The Fifth Circuit's order dated May 16, 2007, vacating and remanding the United States District Court for the Northern District of Texas' order certifying this securities fraud class action.

c. The deposition transcript(s) of Royce Holland, Anthony Parella, Timothy Naramore, Denise Crain, Terri Smith, Clay Myers, Christine Kornegay, Jon Marc Baird, and accompanying exhibits marked number 1 through 267.

d. FCC form 477 Reporting Requirements and Deployment Data as found at www.fcc.gov, FCC Form 477 documentation filed by Allegiance (Attached as

Exhibit A hereto), Securities and Exchange Commission Release #50098 (Attached as **Exhibit B** hereto), dated July 27, 2004, Securities and Exchange Commission Release #2064, dated July 27, 2004, South Carolina Docket 2003-326-C, Superseding Indictment No. S1 4:03CR 00434-CEJ, Sub rebuttal testimony of Dr. Mark T. Bryant (page 16), U.S. District Court, Eastern District of Missouri, Arthur Andersen Internal Memoranda, bates-numbered AA00023 and AA03954.

e. Additional documents as indicated herein and attached to this report as Exhibits A through G.

f. We were also orally provided with a description of documents reviewed by plaintiffs' attorneys at the law offices of Brown Rudnick in New York, which documents were only produced to plaintiffs in late October. Due to time constraints, we have been unable to personally review these documents prior to the filing of this Expert Report, but intend to do so before deposition.

III. Summary of Experts' Opinions.

7. Allegiance was a competitive local exchange carrier ("CLEC"), and as such, was subject to line count reporting requirements contained in Federal Communications Commission ("FCC") Form 477, governing Local Telephone Competition and Broadband Reporting, as well as procedures propounded by the FCC to ensure accuracy of such required reporting.

8. FCC Form 477 sets forth an objective standard by which line count shall be measured. The form requires that line count include only connections that are

“in service,” or *revenue-generating* lines actually provided to end users. Form 477 requires that such “in service” lines are measured objectively in terms of voice grade equivalent (“VGE”) units. The VGE is also the measure for line count used across the telecommunications industry.

9. Allegiance, like all CLECs subject to Form 477 reporting requirements, was responsible for ensuring that its line count was accurate. Thus, Allegiance was obligated to verify that the lines it counted and reported were “in service” – that is, active lines actually in use by end users and billed for by Allegiance. In order to comply with the FCC requirement and industry standard that only “in service” lines are counted, local exchange carriers (“LECs”) generally generate line count from the company’s billing system.

10. Up until February 19, 2002, at the earliest, (when it announced a global change in its line count methodology) Allegiance did not follow FCC requirements and industry standards for reporting line count. In fact, Allegiance generated its line count from its Confirmed Order Entry (“COE”) system, a system which Allegiance knew or should have known would generate an inflated (too high) line count. A line count generated from an orders entry system – particularly Allegiance’s COE, which did not operate at a “TN” level, or telephone number level, as discussed below – is likely to include lines and services that were merely “ordered” but never placed “in service,” and thus were never actually “lines” for purposes of Form 477 line count reporting. This deficiency was confirmed when Allegiance announced on February 19, 2002, that

it was reducing its reported line count by some 125,000 lines as a result of its historical use of the inaccurate COE system for line count.

11. Indeed, Allegiance lacked necessary internal controls to ensure accurate line count, and, in fact, employed various business practices which seemed to serve no purpose other than the deliberate (and false) inflation of its line count. Among other examples detailed herein, Allegiance inflated its line count by: (i) improperly counting lines before they were “in service,” (ii) unreasonably delaying line disconnects (whether voluntary or involuntary for non-payment), (iii) counting non-revenue-generating corporate lines, and (iv) failing to timely reconcile the actual activation of resale lines for end-users.

12. A company’s line count was, during the time relevant to this lawsuit and is today, a key metric considered by financial institutions and the market for determining the value of a local exchange carrier such as Allegiance. While total line count is necessary to establish a carrier’s market share on a line basis, line count growth (in conjunction with “churn,” *i.e.* the loss of lines) is the major metric to evaluate a carrier’s momentum and future potential. Given the fact that, until February 19, 2002, Allegiance was reporting artificially high line count metrics, its stock was inflated as a result. Conversely, when Allegiance took down its line count, and reversed these key metrics, its stock dropped.

13. In failing to assure accurate line count as required by the FCC and by industry standards, Allegiance filed incorrect and misleading 477 Forms with the FCC, and disseminated that incorrect and misleading information to the investing public.

IV. Discussion and Analysis.

14. **Allegiance was subject to FCC Form 477 Reporting Requirements, Which Set Forth an Objective Standard for Determining Line Count.** This section is analyzed, prepared and reported by Mr. Fanciulli:

a. In March of 2000, the FCC adopted a semi-annual reporting requirement (FCC Form 477) to determine the extent of local telecommunications competition, as fostered by the Telecommunications Act of 1996.¹ As a Competitive Local Exchange Carrier (“CLEC”), Allegiance was required to file the Form 477, certified as to accuracy by an officer of the CLEC. Allegiance filed Form 477s semi-annually beginning in 2000 through 2003. (See **Exhibit A** hereto, filed Form 477 Certifications). Clay Myers signed FCC Form 477 Certification Statements on behalf of Allegiance on February 27, 2001; April 6, 2001 and February 28, 2002 (*id.* at Tel.0006, 0008, 0012). Anthony Parella also signed FCC Form 477 Certification Statements on behalf of Allegiance on August 31, 2001; August 30, 2002; February 28, 2003 and August 29, 2003 (*id.* at Tel.0010, 0014, 0016, 0018).

b. For purposes of this case, the significance of Form 477 is that it clearly sets forth an objective standard for determining and reporting line count to the FCC and the public at large. Thus, a CLEC has only one line count: the accurate one, using the proper objective standards. A review of certain deposition testimony in this case, however, revealed a supposed lack of familiarity with, or a general disregard for, the requirements of Form 477 on the part of Allegiance’s

¹ Form 477 is available at www.fcc.gov.

employees, as well as an untenable company position that its reported line count was somewhat arbitrary and not determined by industry or government standards.

c. **Objective standards propounded by the FCC are used to measure line count under Form 477.** Under FCC Form 477, voice telephone service² lines are counted in *voice-grade equivalents* (“VGE”). **Each VGE constitutes one line.** Virtually any telephone product or service can be represented as a discrete number of lines by converting the product or service into VGEs according to FCC and industry standards. Form 477 sets forth the VGE conversions for most products and services offered by a CLEC, for example:

- i. A traditional analog telephone line is one (1) VGE.
- ii. A Centrex-CO extension is one (1) VGE.
- iii. A Centrex-CU trunk is one (1) VGE.
- iv. A BRI (Basic Rate Integrated Services Digital Network) line provisioned as 2B+D is two (2) VGE.
- v. A T-1/DS1 circuit provisioned as 8 local trunks is 8 VGE.
- vi. A fully channelized T-1/DS1 circuit is 24 VGE.
- vii. A fully channelized PRI (Primary Rate Integrated Services Digital Network) line over which an ISP’s *dial-up* customers connect to the

² For Form 477, “voice telephone service” means local exchange or exchange access services that allow end users to make local telephone calls on the public switched network, whether used by the end user for voice telephone calls or for other types of calls carried over the public switched network (for example, fax transmissions and dial-up connections to the Internet).

Internet (i.e., via a personal computer, a *local-area* telephone number that the ISP uses as an access number, and a standard modem connection) is 23 VGE.

- viii. A T-1/DS1 circuit provisioned as 8 voice channels and one broadband connection to the Internet, with any of the unused voice channels to be dynamically allocated for Internet use, is 8 VGE for purposes of Part II of the form. Note that, in this example, the end user also has one (1) broadband connection with an information transfer rate that is greater than 200 kbps and less than 2.5 mbps. (The amount of capacity available for Internet use is at least 16 of the potential 24 voice-grade channels, or about 1.0 mbps.) If the carrier that provides these services to the end user owns the T-1/DS1 circuit, rather than leasing it from an unaffiliated entity, then it also should report one (1) broadband connection in Part I.A of the form (in response to item I-3) because it is the facilities-based provider of that broadband connection.

d. **Resold lines should be included in line count *only* when they are *actually provided* to paying end-user customers.** Form 477 provides that resellers of voice telephone service lines are required to report the number of resold lines which they provide to their own end-user customers. All LECs must report the extent to which they rely on resale lines to serve their own end-user customers.

e. **Corporate lines should not be included in line count.** Lines that are used in a corporate or other private, defined-use network should *not* be reported on Form 477. Corporate lines – those used by Allegiance itself and which generate no revenue to the company – may appear on order, billing and provisioning records so the lines can be readily identified or modified. These lines are recorded and clearly identified in internal records as being corporate lines. They should not be included in line count as set forth in the Instructions for Form 477: “Do **n**ot report . . . company official lines.” Nevertheless, Marked Exhibit 103, attached as **Exhibit C** hereto, suggests that these lines were included in Allegiance’s reported line count.

f. The information available to us regarding the over-statement of line count by Allegiance is reminiscent of over-statement of subscriber base by Charter Communications. The Securities and Exchange Commission’s (“SEC”)’s statements regarding the effect on the market by over-statements of subscriber base by Charter Communications, while specific to the cable industry, is also relevant to Allegiance’s over-statement of line count. The SEC explained: “Subscriber numbers are . . . used to rank cable companies and used to predict future cash flow, revenue and company growth. . . .: Charter published its subscriber numbers and subscriber growth rate in press releases and reported these figures in quarterly and annual reports filed with the Commission. Further, investment analysts routinely focused on subscriber numbers in their reports and conference calls, among other factors, to make their recommendations and value a

cable company's stock." SEC Release #50098, dated July 27, 2004, III, Summary, 2. Attached as **Exhibit B** hereto.

15. Allegiance Artificially Inflated Line Count Through A Number Of Inappropriate Practices. This section is analyzed, prepared and reported by Ms. Hannaway:

a. **Allegiance artificially inflated line count by measuring this key metric from its Consolidated Order Entry ("COE") system, rather than counting only lines which are "in service" and billed-for, as required by the FCC and industry standards.** Because Allegiance's COE system included orders for lines regardless of installation status, Allegiance inflated its line count by counting lines for which service may have been delayed, counting the same line twice, and counting line orders which were cancelled or otherwise never ultimately resulted "in service" to a customer. Thus, Allegiance inflated its line count by counting all orders (regardless of the outcome), rather than the actual active service lines.

i. Based on a review of depositions and exhibits, it appears that all service orders received by Allegiance were entered into its COE system. Testimony and company press releases suggest that until line count was reduced on February 19, 2002, the COE system was the database used to generate line count at Allegiance.

ii. Orders could be new, "ported" (taken from another carrier), or simply expansions of existing services. As orders flowed through the various processes, orders could be cancelled or delayed for a variety of reasons, including: customer change or cancellation; credit

- screening criteria; facility limitations; errors in data entry or delays in transactions with incumbent providers. Small and large business orders – the majority of the orders taken by Allegiance – can take several weeks to process, and often encounter delays.
- iii. Because of the changes and delays listed above, a significant number of the lines ordered in the COE system never actually result in an installed line (or line equivalent). This could – and apparently did at Allegiance – result in over-counting of lines when using a COE system as the basis for line count.
- iv. Because billing typically does not begin until a line is fully provisioned and in service, the industry standard is for LECs to generate line count from the billing system or the network itself. Allegiance, however, used its order system (COE) to generate its line count until it announced on February 19, 2002, that it was changing its practice and using the billing system to generate line count.
- v. Beyond the deficiencies of calculating line count from the COE system, however, because Allegiance delayed line disconnects on a global basis within the organization – and systematically continued to bill after disconnects, as discussed more fully below – line count would have been inflated regardless of whether it used its orders system (COE) or its billing system (Network Strategies). For example, and as discussed further below, Allegiance's Network Strategies system apparently billed for lines for an inordinate amount

of time after suspension. Furthermore, Allegiance apparently also inappropriately billed for lines before installation.

- vi. Finally, Allegiance apparently made no attempt to separate out lines in jeopardy of cancellation or disconnection (“jeps lines”) from line count, which also would have further inflated Allegiance’s line count.

b. Allegiance artificially inflated line count by inordinately delaying its customer disconnects (both voluntary and involuntary). The failure to timely process disconnects inflated line count in all of Allegiance’s systems (COE, billing, etc.).

- i. Voluntary line disconnects in the phone industry are typically processed as soon as possible after receipt of customer’s request, and typically should take no longer than 30 days to result in a full termination of service. Yet, it appears from Marked Exhibit 210, at Algx-Fin 00610-611, attached as **Exhibit D** hereto, that Allegiance chronically delayed disconnects – in both its orders system (COE) and its billing system (Network Strategies) – long after the original disconnection request.
- ii. In the event of a “port” (transfer to another carrier), however, it is possible that it might take longer than 30 days to “port” the line to the new carrier (and disconnect at the current carrier) if there are facilities limitations. However, a “port-back” should not take an exceptional amount of time to disconnect, especially in light of the

apparent availability of electronic data interface (automatic information sharing) between the ILEC and Allegiance. Because Allegiance failed to monitor the number of “port-backs” and timely disconnect such lines from both its orders and billing systems, Allegiance further overstated line count.

c. **Allegiance artificially inflated line count by delaying disconnects due to customer non-payment, and by including “suspended” lines in line count for an inordinate period of time after suspension.** Allegiance improperly included in its reported line count lines which had already been disconnected.³ Such lines clearly should *not* be included in line count because they are not “in service” as required by the FCC and industry standards. Allegiance, however, not only continued to include such lines in its line count through the COE system, it continued to bill for them through its billing Network Strategies system. *See* Marked Exhibit 210, at Algx-Fin 00610-611, attached as **Exhibit D** hereto. Allegiance also continued to systematically count “suspended” lines in its COE system (and thus in its reported line count) for an inordinate length of time without disconnecting the delinquent lines and removing them from line count.

i. Based on credit standings and account payment histories, an LEC typically examines payment due, days delinquent, or a combination of both, to determine customer suspension or disconnect thresholds for delinquent or “non-pay customers.” Customer services are

³ *See Exhibit E* hereto, Marked Exhibit 174, e-mail from Joe D’Amico to Anthony Parella dated 3/9/01, explaining “I’m a little concerned with the number of customers we think are on our service that have already disconnected.”

usually “soft-disconnected” – *i.e.* suspended – when a customer fails to bring the account current following written notification. The suspension of an account usually occurs within 60-90 days after billing if the billing is not resolved in a timely manner.

- ii. If the customer fails to bring the billing current within 30 days following the suspension, the industry standard is that the account is terminated and a full disconnect order is issued. It appears that Allegiance, however, kept suspended accounts on its systems (both the order COE system and billing, and thus, included in its line count), for inordinate periods of time after suspension, without disconnecting the delinquent lines.
- iii. Disconnected account balances over 90-120 days are often submitted to collection agencies or written off as bad debt. In some instances, the customer may remain active when the account is delinquent; this typically happens only if the subscriber has entered a payment plan or agreement with the company for payment of the outstanding bill. Breaking the agreement or failing to make the required payments can result in final disconnection.

d. **In opting for a manual system to process line orders and disconnects, while lacking necessary internal controls to monitor these processes and ensure accurate line count, Allegiance was able to further inflate line count.** It appears that Allegiance employed a manual process in its COE system for processing service orders and disconnections. By apparently opting for a manual

process to process for disconnect orders, the opportunity for Allegiance to overstate its line count was high. Specifically, manual processing requires considerable monitoring to track the initial sale, order initiation, billing setup, provisioning, cut dates, order completion or cancellations, as well as communication among the CLEC, its internal departments, and customers.

e. **Allegiance artificially inflated line count by including “resale” lines which were not actively in service to an Allegiance customer end-user.** “Resale” lines are lines provided by other LECs, which Allegiance would then “re-sell” to an end user customer of its own. Industry practice requires that such resale lines be cross-referenced with records of the ILEC from which the line is acquired, to discern the “in service” status of the line. Allegiance, however, apparently failed to do so, and, thus, often included resale lines in its line count before they were actually in use by an end-user, thus inflating its line count.

f. **Allegiance failed to routinely reconcile lines defined on the resale lists (provided to Allegiance, usually in CD form, by the phone companies whose services Allegiance was reselling), lines actively residing in the switch, lines listed in the billing and provisioning systems, and lines sitting in the order system – such routine reconciliation would have greatly reduced the potential for discrepancies.**

g. Marked Exhibit 165, attached as **Exhibit F** hereto, contains the following information:

<i>(PROJECT)</i>	<i>Resale</i>	<i>Reconciliation</i>	<i>(DESCRIPTION)</i>
	<i>Reconciliation of resale lines between NS and the LEC. Create</i>		

automated process so reconciliation can automatically be performed each month. (STATUS) Texas is complete and results have been handed over to bill production group to be worked. Working on M.O. Ameritech and Bell South markets are on hold pending receipt of necessary data from LEC.

Thus, it is clear that in early 2001 Allegiance recognized the need for an automated system that would reconcile Allegiance's resale line records with those of the ILEC (competitor phone company) which was providing the actual services to Allegiance's customers. The lack of such a system invariably led to errors. In the deposition of Royce Holland (Allegiance's CEO), at pp. 98-101, he indicates 30,000 resale lines were removed from Allegiance's line count because of faulty reconciliation between data systems.

h. **Because Allegiance's COE system apparently could not accurately track the "TN" (telephone number) status – that is, "in service" status – of orders, line count generated from the COE system was further distorted.** In Marked Exhibit 45, attached as **Exhibit G** hereto, in an e-mail from Dana Crowne to Anthony Parella dated March 26, 2001, Crowne indicates that the order system (COE) could not accurately track the "TN" (telephone number) status of the orders in its system. Typically in the industry, the customer telephone number should be able to be tied back to a billing and switch record as well as all work orders registered for the account.

16. **Metrics Used by Investment Community to Measure the Success of a CLEC**, as analyzed, prepared and reported by Mr. Vondras:

a. Lines (lines in service) are the basic element that allows a communications company to earn revenues. They are the basis for obtaining any value added, access and other revenues. Without line growth, a communications company will not expand its business.

b. During Mr. Vondras' tenure as CEO in Indonesia, he would have semi-annual meetings with the company's lenders. At each meeting the focus was on lines – how many did you build, how many did you sell, and how many did you install? The same is true in the cable industry where a potential restructure was evaluated. Financial institutions requested customer (primarily residential) growth and projections for cable companies, to assure financial commitments could be met. While in Indonesia, the number of revenue producing lines was a key driver of the business.

17. Relationship of “Lines In Service” to Revenue Expectations, as analyzed, prepared and reported by Mr. Vondras:

a. In the context of Mr. Vondras's work as a CEO of a joint-venture company with U.S. West in Indonesia, financial institutions were particularly concerned about the number of lines the company had in service. Line growth is a key metric used by analysts to determine the momentum of any telecommunications company.

b. In a telecommunications company, lines in service are the main driver of revenues. This is because the basis for all other revenues (local, value added, access, long distance, etc.) is the basic line. The lines provide direct access to each customer who then generates revenue for the operator by using the various

services provided over that line. Thus if continued growth of lines is being reported by a company, the natural conclusion to an investor would be that revenue and subsequently EBITDA would also grow. If lines are significantly adjusted downward as was the case for Allegiance's in the 4th quarter of 2001, the natural reaction would be a negative one. In addition, since line counts increased significantly every quarter in 2001 (save the last), the market reaction was always positive. Therefore it is not surprising that when the line counts were adjusted downward, a negative reaction resulted.

18. Relationship of a "Lines In Service" Restatement to Revenue Expectations of a CLEC, as analyzed, prepared and reported by Mr. Vondras:

a. One of the reasons the FCC requires the filing of line counts is to show that incumbent telephone companies (ILECs) had opened their networks to others (CLECs). The success of the CLECs can be measured by their line count, line growth and line loss as a percentage of the total ("churn"). These are key metrics to the FCC to determine if competition is working and they are key metrics to anyone who is trying to determine how one telecom company is doing and what its value is. Therefore, when there is a material restatement of line count (125,000 in the context of Allegiance's restatement in February 2002 is material in my view), the whole story for a particular telecom company comes into question.

b. The restatement of 30,000 resale lines (Holland deposition at 39) and the inconsistency of reporting line counts also questions the accuracy of Allegiance's reporting methods. In addition, on page 26 of Mr. Holland's rebuttal, he says there were no standards for reporting lines. This is not so. The 1996

communications act caused competition in the local market. To monitor the progress of competition, the FCC implemented Form 477 for reporting key metrics.

Dated this 1st day of November, 2007



Joseph A. Fanciulli

Dated this 1st day of November, 2007

Rebecca S. Hannaway

Dated this 1st day of November, 2007

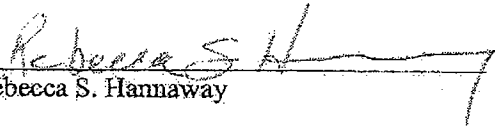
John G. Vondras

communications act caused competition in the local market. To monitor the progress of competition, the FCC implemented Form 477 for reporting key metrics.

Dated this 1st day of November, 2007

Joseph A. Fanciulli

Dated this 1st day of November, 2007



Rebecca S. Hannaway

Dated this 1st day of November, 2007

John G. Vondras

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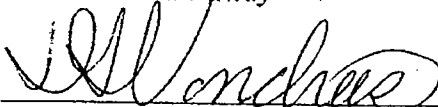
Dated this 1st day of November, 2007

Joseph A. Fanciulli

Dated this 1st day of November, 2007

Rebecca S. Hannaway

Dated this 1st day of November, 2007



John G. Vondras

Exhibit A



allegiancetelecom, inc.

1150 Connecticut Avenue N.W.
Suite 205
Washington, DC 20036
202/296-7727 phone
202/296-9583 fax

May 15, 2000

Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th St. SW
Washington DC 20554

RECEIVED

MAY 15 2000

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

Attn: Industry Analysis Division
Room 6-A220
Federal Communications Commission
445 12th St. SW
Washington DC 20554

Re: Local Competition and Broadband
Reporting Form
FCC Form 477

Dear Ms. Salas:

Allegiance Telecom, Inc. ("Allegiance"), hereby submits its completed FCC Forms 477, as well as the required certification for its operating subsidiaries. Allegiance requests confidential treatment of some of the information reported, because this information is competitively sensitive. Consequently, Allegiance is submitting two diskettes as part of this filing. The first diskette contains non-redacted files for the following entities:

Allegiance Telecom of New York, Inc.
Allegiance Telecom of California, Inc.
Allegiance Telecom of Illinois, Inc.
Allegiance Telecom of Georgia, Inc.
Allegiance Telecom of Texas, Inc.

The second diskette contains the redacted files of the completed Forms 477 for the above entities. A copy of the certification and transmittal letter is being mailed simultaneously to the FCC's contract copier, International Transcription Services.

Please contact [REDACTED], the contact person listed in the enclosed Form 477, directly if there are any questions concerning the enclosed.

Respectfully submitted,

ALLEGIANCE TELECOM, INC.

By: Robert E. Kelly
Robert E. Kelly
Regulatory Manager

cc: M. Albert
R. McCausland

V. CERTIFICATION STATEMENT

FCC Form 477 Local Competition and Broadband Reporting
Transmittal Letter and Certification Statement

Mail to Industry Analysis Division
Rm. 6-A220
445 12th St, SW
Washington, D.C. 20554

This filing is an (check one) ☒ original filing ☐ revised filing
Organization name as it appears in all file names: Allegiance Telecom, Inc.
Number of files provided for this reporting period: 10
Year: 1999 Data as of: [Check one: June 30 ☐; December 31 ☒

I certify that I am an officer of Allegiance Telecom, Inc.; that I have examined the information contained in the data files either attached herein or transmitted electronically and that to the best of my knowledge, information and belief, all statements of fact contained in such files are true and that said files represent an accurate statement of the affairs of the above named respondent as of the following date: 12/31/99

If I have requested non-disclosure of some or all of the information in FCC Form 477 by so indicating on Line 9 of the form, I certify that this information is privileged and confidential and that public disclosure of such information would likely cause substantial harm to the competitive position of the respondent.

PRINTED NAME: Robert W. McCausland

POSITION: Vice President

SIGNATURE: R. W. McCausland

DATE: 5-12-00

Persons making willful false statements in the report form can be punished by fine or imprisonment under the Communications Act, 47 U.S.C. 220(e).

CONTACT PERSON: [REDACTED]

TELEPHONE NUMBER: [REDACTED]

FEDERAL COMMUNICATIONS COMMISSION



September 6, 2000

1950 Stemmons Freeway
Suite 3026
Dallas, Texas 75207
214/853-7100 phone
214/853-7110 fax
www.allegiancetele.com

Industry Analysis Division
Room 6-A220
Federal Communications Commission
445 12th St. SW
Washington DC 20554

Re: Local Competition and Broadband Reporting Form
FCC Form 477

To Whom it May Concern:

Allegiance Telecom, Inc. ("Allegiance"), hereby submits its Local Competition and Broadband Reporting Form on FCC Form 477, as well as the required certification. Allegiance has requested non-disclosure of some of the information reported, since Allegiance believes this information is privileged and confidential. Consequently, Allegiance is submitting two diskettes as part of this filing. The first diskette contains the completed original files for the following entities:

Allegiance Telecom of California, Inc.
Allegiance Telecom of Georgia, Inc.
Allegiance Telecom of Illinois, Inc.
Allegiance Telecom of New York, Inc.
Allegiance Telecom of Pennsylvania, Inc.
Allegiance Telecom of Texas, Inc.

Allegiance is also submitting a second diskette which contains the redacted files of the completed Form 477 for the above entities. A copy of the certification and transmittal letter is being mailed simultaneously to the FCC's contract copier, International Transcription Services.

Please contact the contact person listed in the enclosed Form 477 directly if there are any questions concerning the enclosed.

Respectfully submitted,

David L. Starr
Sr. Manager – Regulatory Compliance
Allegiance Telecom, Inc.

Instructions for the Local Competition and Broadband Reporting Form, FCC Form 477

V. CERTIFICATION STATEMENT

**FCC Form 477 Local Competition and Broadband Reporting
Transmittal Letter and Certification Statement**

Mail to Industry Analysis Division
Rm. 6-A220
445 12th St, SW
Washington, D.C. 20554

This filing is an (check one) ☒ original filing ☐ revised filing

Organization name: Allegiance Telecom, Inc.

Number of files provided for this reporting period: 12

Year (of the data): 2000 Data as of: [Check one: June 30 ☒; December 31 ☐]

I certify that I am an officer of Allegiance Telecom, Inc.; that I have examined the information contained in the data files either attached herein or transmitted electronically and that to the best of my knowledge, information and belief, all statements of fact contained in such files are true and that said files represent an accurate statement of the affairs of the above named respondent as of the following date: 6/30/00

If I have requested non-disclosure of some or all of the information in FCC Form 477 by so indicating on Line 10 of the form, I certify that this information is privileged and confidential and that public disclosure of such information would likely cause substantial harm to the competitive position of the respondent.

PRINTED NAME: Robert W. McCausland

POSITION: Vice President - Regulatory and Interconnection

SIGNATURE: R. W. McCausland

DATE: September 5, 2000

Persons making willful false statements in the report form can be punished by fine or imprisonment under the Communications Act, 47 U.S.C. 220(e).

CONTACT PERSON: [REDACTED]

TELEPHONE NUMBER: [REDACTED]

FEDERAL COMMUNICATIONS COMMISSION



1950 Stemmons Frewy
Suite 3026
Dallas, Texas 75207
214/853-7100 phone
214/853-7110 fax
www.allegiancetele.com

February 27, 2001

VIA Overnight Delivery

Industry Analysis Division, Rm. 6-A220
445 12th St., S.W.
Washington, D.C. 20554

Subject: AllegianceTelecom, Inc.
Local Competition and Broadband Reporting Form, FCC Form 477

Dear FCC:

AllegianceTelecom, Inc. hereby submits the Local Competition and Broadband Reporting Form, FCC Form 477, as of December 31, 2000. This filing includes an originally signed Certification Statement and 20 files contained on 4 floppy diskettes. Of these 20 files, 10 are public versions with the remaining 10 files being privileged and/or confidential versions of FCC Form 477.

We request "**CONFIDENTIAL**" treatment of the enclosed information.

Please acknowledge receipt of this filing by date stamping the extra copy of this letter and returning it to me in the enclosed self-addressed envelope.

Please contact me at 469-259-2067 if you have any questions or need additional information. Thank you.

Sincerely,

David Rose
Regulatory Manager
Allegiance Telecom, Inc.
david.rose@alqx.com

Enclosures

V. CERTIFICATION STATEMENT

FCC Form 477 Local Competition and Broadband Reporting
CERTIFICATION STATEMENT

Mail to Industry Analysis Division
Rm. 6-A220
445 12th St, SW
Washington, D.C. 20554

This filing is an (check one) ☒ original filing ☐ revised filing

Organization name: Allegiance Telecom, Inc.

Number of files provided for this reporting period: 20 files (4 disks)


Year (of the data): 2000 Data as of: [Check one: June 30 ☐; December 31 ☒

I certify that I am an officer of Allegiance Telecom, Inc.; that I have examined the information contained in the data files attached herein and that to the best of my knowledge, information and belief, all statements of fact contained in such files are true and that said files represent an accurate statement of the affairs of the above named respondent as of the following date: December 31, 2000

If I have requested non-disclosure of some or all of the information in FCC Form 477 by so indicating on Line 10 of the form, I certify that this information is privileged and confidential and that public disclosure of such information would likely cause substantial harm to the competitive position of the respondent.

PRINTED NAME: G. CLAY MYERS

POSITION: SVP - FINANCE

SIGNATURE: 

DATE: 2/27/2001

Persons making willful false statements in the report form can be punished by fine or imprisonment under the Communications Act, 47 U.S.C. 220(e).

CONTACT PERSON: [REDACTED]

TELEPHONE NUMBER: [REDACTED]



April 6, 2001

VIA Overnight Delivery

Industry Analysis Division, Rm. 6-A220
445 12th St., S.W.
Washington, D.C. 20554

Subject: AllegianceTelecom, Inc.
Local Competition and Broadband Reporting Form, FCC Form 477

Dear FCC:

AllegianceTelecom, Inc. hereby submits revisions to the Local Competition and Broadband Reporting Form, FCC Form 477, as of December 31, 2000. This revised filing includes an originally signed Certification Statement and 20 files contained on 4 floppy diskettes. Of these 20 files, 10 are public versions with the remaining 10 files being privileged and/or confidential versions of FCC Form 477.

We request "**CONFIDENTIAL**" treatment of the enclosed information.

Please acknowledge receipt of this filing by date stamping the extra copy of this letter and returning it to me in the enclosed self-addressed envelope.

Please contact [REDACTED] if you have any questions or need additional information. Thank you.

Sincerely,

David Rose
Regulatory Manager
Allegiance Telecom, Inc.
david.rose@algx.com

Enclosures

V. CERTIFICATION STATEMENT

**FCC Form 477 Local Competition and Broadband Reporting
CERTIFICATION STATEMENT**

Mail to Industry Analysis Division
Rm. 6-A220
445 12th St, SW
Washington, D.C. 20554

This filing is an (check one) ☐ original filing ☒ revised filing

Organization name: Allegiance Telecom, Inc.

Number of files provided for this reporting period: 20 files (4 disks)

Year (of the data): 2000 Data as of: [Check one: June 30 ☐; December 31 ☒

I certify that I am an officer of Allegiance Telecom, Inc.; that I have examined the information contained in the data files attached herein and that to the best of my knowledge, information and belief, all statements of fact contained in such files are true and that said files represent an accurate statement of the affairs of the above named respondent as of the following date: December 31, 2000.

If I have requested non-disclosure of some or all of the information in FCC Form 477 by so indicating on Line 10 of the form, I certify that this information is privileged and confidential and that public disclosure of such information would likely cause substantial harm to the competitive position of the respondent.

PRINTED NAME: Clay Myers

POSITION: Sr. V.P. Accounting

SIGNATURE: 

DATE: 04/06/01

Persons making willful false statements in the report form can be punished by fine or imprisonment under the Communications Act, 47 U.S.C. 220(e).

CONTACT PERSON: [REDACTED]

TELEPHONE NUMBER: [REDACTED]



9201 N. Central Expressway
The Pyramids, Bldg. B
Dallas, TX 75231
214/261-7100 phone
469/259-9122 fax

August 31, 2001

VIA Overnight Delivery

FCC
Industry Analysis Division, Rm. 6-A220
445 12th St., S.W.
Washington, D.C. 20554

Subject: Allegiance Telecom, Inc.
FCC Form 477 - Local Competition and Broadband Reporting

Dear FCC:

Allegiance Telecom, Inc. hereby submits the Local Competition and Broadband Reporting Form, FCC Form 477, as of June 30, 2001. This filing includes an originally signed Certification Statement and 32 files contained on 8 floppy diskettes. Of these 32 files, 16 are public versions with the remaining 16 files being privileged and/or confidential versions of FCC Form 477.

We request "**CONFIDENTIAL**" treatment of the enclosed information.

Please acknowledge receipt of this filing by date stamping the extra copy of this letter and returning it to me in the enclosed self-addressed envelope.

Please contact [REDACTED] if you have any questions or need additional information. Thank you.

Sincerely,

David Rose
Regulatory Manager
Allegiance Telecom, Inc.
(469) 259-2067
david.rose@alqx.com

Enclosures

V. CERTIFICATION STATEMENT

FCC Form 477 Local Competition and Broadband Reporting
CERTIFICATION STATEMENT

Mail to Industry Analysis Division
Rm. 6-A220
445 12th St, SW
Washington, D.C. 20554

This filing is an (check one) X original filing ___ revised filing

Organization name: Allegiance Telecom, Inc.

Number of files provided for this reporting period: 32 (16 Redacted and 16 Complete)

Year (of the data): 2001 Data as of: [Check one: June 30 X ; December 31 ___]

I certify that I am an officer of Allegiance Telecom, Inc.; that I have examined the information contained in the data files attached herein and that to the best of my knowledge, information and belief, all statements of fact contained in such files are true and that said files represent an accurate statement of the affairs of the above named respondent as of the following date: June 30, 2001

If I have requested non-disclosure of some or all of the information in FCC Form 477 by so indicating on Line 10 of the form, I certify that this information is privileged and confidential and that public disclosure of such information would likely cause substantial harm to the competitive position of the respondent.

PRINTED NAME: Anthony Parella

POSITION: Executive Vice President

SIGNATURE: 

DATE: August 31, 2001

Persons making willful false statements in the report form can be punished by fine or imprisonment under the Communications Act, 47 U.S.C. 220(e).

CONTACT PERSON: [REDACTED]

TELEPHONE NUMBER: [REDACTED]

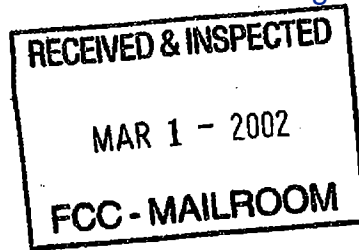
FEDERAL COMMUNICATIONS COMMISSION



allegiancetelecom, inc.
9201 N. Central Expressway
Suite 6B
Dallas, TX 75231
214/261-7100 phone

Document 103-7

Filed 11/01/2007 Page 42 of 97



February 28, 2002

VIA Overnight Delivery

FCC Form 477
(Attn: CCB/IAD, Room 6-A220)
Federal Communications Commission
9300 East Hampton Drive
Capitol Heights, MD 20743

Subject: Allegiance Telecom, Inc.
Local Competition and Broadband Reporting Form, FCC Form 477

Dear FCC:

Allegiance Telecom, Inc. hereby submits its Local Competition and Broadband Reporting Forms, FCC Form 477, as of December 31, 2001. This filing includes an originally signed Certification Statement and 36 files contained on 18 floppy diskettes. Of these 36 files, 18 are public versions with the remaining 18 files being privileged and/or confidential versions of FCC Form 477.

We request "**CONFIDENTIAL**" treatment of the enclosed information.

Please acknowledge receipt of this filing by date stamping the extra copy of this letter and returning it to me in the enclosed self-addressed envelope.

Please contact [REDACTED] if you have any questions or need additional information. Thank you.

Sincerely,

David Rose
Manager, Regulatory Compliance
Allegiance Telecom, Inc.
david.rose@algx.com

Enclosures

Tel. 0011

App. 287

Instructions for the Local Competition and Broadband Reporting Form, FCC Form 477 (For Filing Due 3/1/02)

V. CERTIFICATION STATEMENT

RECEIVED & INSPECTED

MAR 1 - 2002

FCC - MAIL ROOM

FCC Form 477 Local Competition and Broadband Reporting
CERTIFICATION STATEMENT

Check the method (use ONLY one) used to deliver completed Form 477(s) to the FCC. See Instructions, Section IV, for the proper address to use for each delivery method:

☐ E-mail ☒ Overnight service other than United States Postal Service
☐ Messenger or hand delivery ☐ Other (specify: _____)

Also see Instructions, Section IV, for separate directions on how to submit the signed, original paper copy of this Certification Statement to the FCC.

This filing is an (check one) ☒ original filing ☐ revised filing

Organization name: Allegiance Telecom, Inc.

Number of files provided for this reporting period: 36

Year (of the data): 2001 Data as of: [Check one: June 30 ☐; December 31 ☒]

I certify that I am an officer of Allegiance Telecom, Inc.; that I have examined the information contained in the data files attached herein and that to the best of my knowledge, information and belief, all statements of fact contained in such files are true and that said files represent an accurate statement of the affairs of the above named respondent as of the following date:
December 31, 2001

If I have requested non-disclosure of some or all of the information in FCC Form 477 by so indicating on Line 10 of the form, I certify that this information is privileged and confidential and that public disclosure of such information would likely cause substantial harm to the competitive position of the respondent.

PRINTED NAME: Clay Myers

POSITION: Sr. Vice President - Finance

SIGNATURE: 

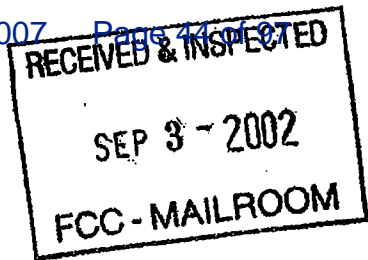
DATE: February 28, 2002

Persons making willful false statements in the report form can be punished by fine or imprisonment under the Communications Act, 47 U.S.C. 220(e).

CONTACT PERSON: [REDACTED]

TELEPHONE NUMBER: [REDACTED]

FEDERAL COMMUNICATIONS COMMISSION



August 30, 2002

VIA Overnight Delivery

FCC Form 477
(Attn: WCB/IATD, Room 6-A220)
Federal Communications Commission
9300 East Hampton Drive
Capitol Heights, MD 20743

Subject: Allegiance Telecom, Inc.
Local Competition and Broadband Reporting Form, FCC Form 477

Dear FCC:

Allegiance Telecom, Inc. hereby submits its Local Competition and Broadband Reporting Forms, FCC Form 477, as of June 30, 2002. This filing includes an originally signed Certification Statement and 32 files contained on 8 floppy diskettes. Of these 32 files, 16 are public versions with the remaining 16 files being privileged and/or confidential versions of FCC Form 477.

We request "**CONFIDENTIAL**" treatment of the enclosed complete versions.

Please acknowledge receipt of this filing by date stamping the extra copy of this letter and returning it to me in the enclosed self-addressed envelope.

Please contact [REDACTED] if you have any questions or need additional information. Thank you.

Sincerely,

David Rose
Manager, Regulatory Compliance
Allegiance Telecom, Inc.
david.rose@alqx.com

Enclosures

Instructions for the Local Competition and Broadband Reporting Form, FCC Form 477 (For Filing Due 9/1/02)

V. CERTIFICATION STATEMENT

FCC Form 477 Local Competition and Broadband Reporting (ATTENTION: WCB/IATD, Room 6-A220)

CERTIFICATION STATEMENT

Check the method (use ONLY one) used to deliver completed Form 477(s) to the FCC. See Instructions, Section IV, for the proper address to use for each delivery method:

☐ E-mail ☒ Overnight service other than United States Postal Service
☐ Messenger or hand delivery ☐ Other (specify: _____)

Also see Instructions, Section IV, for separate directions on how to submit the signed, original paper copy of this Certification Statement to the FCC.

This filing is an (check one) ☒ original filing ☐ revised filing

Organization name: Allegiance Telecom, Inc.

Number of files provided for this reporting period: 32 files on 8 floppy disks

Year (of the data): 2002 Data as of: [Check one: June 30 ☒; December 31 ☐]

I certify that I am an officer of Allegiance Telecom, Inc.; that I have examined the information contained in the data files attached herein and that to the best of my knowledge, information and belief, all statements of fact contained in such files are true and that said files represent an accurate statement of the affairs of the above named respondent as of the following date:

August 29, 2002

If I have requested non-disclosure of some or all of the information in FCC Form 477 by so indicating on Line 10 of the Cover Page of the form, I certify that this information is privileged and confidential and that public disclosure of such information would likely cause substantial harm to the competitive position of the respondent.

PRINTED NAME: Anthony Parella

POSITION: President, Telecom and Retail Services

SIGNATURE: 

DATE: August 29, 2002

Persons making willful false statements in the report form can be punished by fine or imprisonment under the Communications Act, 47 U.S.C. 220(e).

CONTACT PERSON: [REDACTED]

TELEPHONE NUMBER: [REDACTED]

FEDERAL COMMUNICATIONS COMMISSION



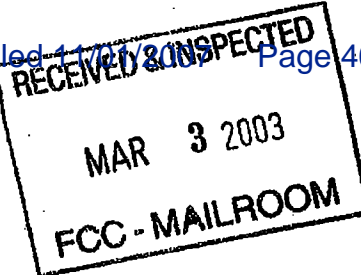
allegiancetelecom, inc.

9201 N. Central Expressway
The Pyramids, Bldg. B
Dallas, TX 75231
214/261-7100 phone
469/259-9122 fax

Document 103-7

Filed 11/17/2009

Page 46 of 97



February 28, 2003

VIA Overnight Delivery

FCC Form 477
(Attn: WCB/IATD, Room 6-A220)
Federal Communications Commission
9300 East Hampton Drive
Capitol Heights, MD 20743

Subject: Allegiance Telecom, Inc.
Local Competition and Broadband Reporting Form, FCC Form 477

Dear FCC:

Allegiance Telecom, Inc. hereby submits its Local Competition and Broadband Reporting Forms, FCC Form 477, as of December 31, 2002. This filing includes an originally signed Certification Statement and 36 files contained on 10 floppy diskettes. Of these 36 files, 18 are public versions with the remaining 18 files being privileged and/or confidential versions of FCC Form 477.

We request "**CONFIDENTIAL**" treatment of the enclosed complete versions.

Please acknowledge receipt of this filing by date stamping the extra copy of this letter and returning it to me in the enclosed self-addressed envelope.

Please contact [REDACTED] if you have any questions or need additional information. Thank you.

Sincerely,

David L. Starr
Director, Regulatory Compliance
Allegiance Telecom, Inc.
david.starr@algx.com

Enclosures

Tel. 0015

App. 291

Instructions for the Local Competition and Broadband Reporting Form, FCC Form 477 (For Filing Due 3/1/03)

V. CERTIFICATION STATEMENT

FCC Form 477 Local Competition and Broadband Reporting (ATTENTION: WCB/IATD, Room 6-A220)

CERTIFICATION STATEMENT

Check the method (use ONLY one) used to deliver completed Form 477(s) to the FCC. See Instructions, Section IV, for the proper address to use for each delivery method:

☐ E-mail ☒ Overnight service other than United States Postal Service
☐ Messenger or hand delivery ☐ Other (specify: _____)

Also see Instructions, Section IV, for separate directions on how to submit the signed, original paper copy of this Certification Statement to the FCC.

This filing is an (check one) ☒ original filing ☐ revised filingOrganization name: Allegiance Telecom, Inc.Number of files provided for this reporting period: 36Year (of the data): 2002 Data as of: [Check one: June 30 ☐; December 31 ☒I certify that I am an officer of Allegiance Telecom, Inc.; that I have examined the information contained in the data files submitted and that to the best of my knowledge, information and belief, all statements of fact contained in such files are true and that said files represent an accurate statement of the affairs of the above named respondent as of the following date:Dec. 31, 2002

If I have requested non-disclosure of some or all of the information in FCC Form 477 by so indicating on Line 10 of the Cover Page of the form, I certify that this information is privileged and confidential and that public disclosure of such information would likely cause substantial harm to the competitive position of the respondent.

PRINTED NAME: ANTHONY J. PARELLAPOSITION: PRESIDENT OF RETAIL SERVICESSIGNATURE: Anthony J. ParellaDATE: Feb. 28, 2003

Persons making willful false statements in the report form can be punished by fine or imprisonment under the Communications Act, 47 U.S.C. 220(e).

CONTACT PERSON: [REDACTED]TELEPHONE: [REDACTED] E-MAIL: [REDACTED]

FEDERAL COMMUNICATIONS COMMISSION



Legal Department
9201 Central Expressway
Dallas, TX 75231

RECEIVED & INSPECTED

August 29, 2003

VIA Overnight Delivery

2003 SEP -2 A 11: 50

FCC Form 477
(Attn: WCB/IATD, Room 6-A220)
Federal Communications Commission
9300 East Hampton Drive
Capitol Heights, MD 20743

FCC-MAILROOM

Subject: Allegiance Telecom, Inc.
Local Competition and Broadband Reporting Form, FCC Form 477

Dear FCC:

Allegiance Telecom, Inc. hereby submits its Local Competition and Broadband Reporting Forms, FCC Form 477, as of June 30, 2003. This filing includes an originally signed Certification Statement and 40 files contained on 1 CDROM. Of these 40 files, 20 are public versions with the remaining 20 files being privileged and/or confidential versions of FCC Form 477.

We request "**CONFIDENTIAL**" treatment of the enclosed complete versions.

Please acknowledge receipt of this filing by date stamping the extra copy of this letter and returning it to me in the enclosed self-addressed envelope.

Please contact [REDACTED] if you have any questions or need additional information. Thank you.

Sincerely,

David L. Starr
Director, Regulatory Compliance
Allegiance Telecom, Inc.
david.starr@algx.com

Enclosures

Instructions for the Local Competition and Broadband Reporting Form, FCC Form 477 (For Filing Due 9/1/03)

V. CERTIFICATION STATEMENT

FCC Form 477 Local Competition and Broadband Reporting (ATTENTION: WCB/IATD, Room 6-A220)

RECEIVED & INSPECTED
2003 SEP -2 A 11: 50

CERTIFICATION STATEMENT

FCC-MAIL ROOM

Check the method (use ONLY one) used to deliver completed Form 477(s) to the FCC. See Instructions, Section IV, for the proper address to use for each delivery method:

☐ E-mail ☒ Overnight service other than United States Postal Service
☐ Messenger or hand delivery ☐ Other (specify: _____)

Also see Instructions, Section IV, for separate directions on how to submit the signed, original paper copy of this Certification Statement to the FCC.

This filing is an (check one) ☒ original filing ☐ revised filing

Organization name: Allegiance Telecom, Inc.

Number of files provided for this reporting period: 40

Year (of the data): 2003 Data as of: [Check one: June 30 ☒; December 31 ☐]

I certify that I am an officer of Allegiance Telecom, Inc.; that I have examined the information contained in the data files submitted and that to the best of my knowledge, information and belief, all statements of fact contained in such files are true and that said files represent an accurate statement of the affairs of the above named respondent as of the following date:

June 30, 2003

If I have requested non-disclosure of some or all of the information in FCC Form 477 by so indicating on Line 10 of the Cover Page of the form, I certify that this information is privileged and confidential and that public disclosure of such information would likely cause substantial harm to the competitive position of the respondent.

PRINTED NAME: ANTHONY J. PARELLA

POSITION: President of Retail Services

SIGNATURE: Anthony J. Parella

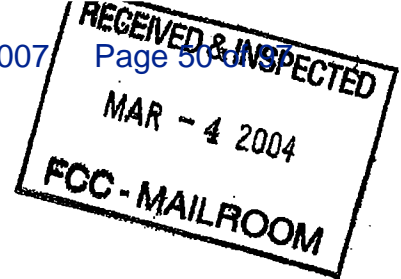
DATE: 8/29/03

Persons making willful false statements in the report form can be punished by fine or imprisonment under the Communications Act, 47 U.S.C. 220(e).

CONTACT PERSON: [REDACTED]

TELEPHONE: [REDACTED] E-MAIL: [REDACTED]

FEDERAL COMMUNICATIONS COMMISSION



March 1, 2004

VIA Overnight Delivery

FCC Form 477
(Attn: WCB/IATD, Room 6-A220)
Federal Communications Commission
9300 East Hampton Drive
Capitol Heights, MD 20743

Subject: Allegiance Telecom, Inc.
Local Competition and Broadband Reporting Form, FCC Form 477

Dear FCC:

Allegiance Telecom, Inc. hereby submits its Local Competition and Broadband Reporting Forms, FCC Form 477, as of December 31, 2003. This filing includes an originally signed Certification Statement and 40 files contained on 1 CDROM. Of these 40 files, 20 are public versions with the remaining 20 files being privileged and/or confidential versions of FCC Form 477.

We request "**CONFIDENTIAL**" treatment of the enclosed complete versions.

Please acknowledge receipt of this filing by date stamping the extra copy of this letter and returning it to me in the enclosed self-addressed envelope.

Please contact [REDACTED] if you have any questions or need additional information. Thank you.

Sincerely,

David L. Starr
Director, Regulatory Compliance
Allegiance Telecom, Inc.
david.starr@algx.com

Enclosures

Instructions for the Local Competition and Broadband Reporting Form, FCC Form 477 (For Filing Due 3/1/04)

V. CERTIFICATION STATEMENT

FCC Form 477 Local Competition and Broadband Reporting (ATTENTION: WCB/IATD, Room 6-A220)

CERTIFICATION STATEMENT

Check the method (use ONLY one) used to deliver completed Form 477(s) to the FCC. See Instructions, Section IV, for the proper address to use for each delivery method:

☐ E-mail ☒ Overnight service other than United States Postal Service
☐ Messenger or hand delivery ☐ Other (specify: _____)

Also see Instructions, Section IV, for separate directions on how to submit the signed, original paper copy of this Certification Statement to the FCC.

This filing is an (check one) ☒ original filing ☐ revised filing

Organization name: Allegiance Telecom, Inc.

Number of files provided for this reporting period: 40

Year (of the data): 2003 Data as of: [Check one: June 30 ☐; December 31 ☒

I certify that I am an officer of Allegiance Telecom, Inc.; that I have examined the information contained in the data files submitted and that to the best of my knowledge, information and belief, all statements of fact contained in such files are true and that said files represent an accurate statement of the affairs of the above named respondent as of the following date:

Dec. 31, 2003

If I have requested non-disclosure of some or all of the information in FCC Form 477 by so indicating on Line 10 of the Cover Page of the form, I certify that this information is privileged and confidential and that public disclosure of such information would likely cause substantial harm to the competitive position of the respondent.

PRINTED NAME: MARK STACHIW

POSITION: SVP - General Counsel - Allegiance Telecom Company
Worldwide

SIGNATURE: Mark A. Stachiw

DATE: 3/1/04

Persons making willful false statements in the report form can be punished by fine or imprisonment under the Communications Act, 47 U.S.C. 220(e).

CONTACT PERSON: [REDACTED]

TELEPHONE: [REDACTED] E-MAIL: [REDACTED]

FEDERAL COMMUNICATIONS COMMISSION

Exhibit B



Home | Previous Page

U.S. Securities and Exchange Commission

UNITED STATES OF AMERICA Before the SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 50098 / July 27, 2004

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 2064 / July 27, 2004

Admin. Proc. File No. 3-11563

In the Matter of

Charter Communications, Inc.

Respondent.

ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS, MAKING
FINDINGS, AND IMPOSING A CEASE-
AND-DESIST ORDER PURSUANT TO
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act") against Charter Communications, Inc. ("Charter" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings, Making Findings, and Imposing a Cease-and-Desist Order Pursuant to Section 21C of the Securities Exchange Act of 1934 ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

Respondent

1. Charter is a Delaware Corporation with its principal executive office located in St. Louis, Missouri. Charter is the third largest cable television operator in the United States serving approximately 6.2 million customers in 37 states. Through its subsidiaries, Charter provides basic cable, digital cable, high speed Internet and telephone services to its customers. Charter's common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act and is listed on the NASDAQ National Market.

Summary

2. From the first through the fourth quarters of 2001, Charter inflated the number of customers who subscribed to its services in an attempt to meet analysts' expectations for subscriber growth and depict itself as a growing company. To inflate its subscriber numbers, Charter employees stopped its usual practice of disconnecting the services of delinquent paying customers and customers who had requested the termination of their services. As a result of this conduct, Charter artificially inflated its number of subscribers and subscriber growth that it reported to the Commission and to the public from the first through the fourth quarters of 2001 in its Forms 8-K, Forms 10-Q and Form 10-K.

3. In the fourth quarter of 2000, Charter also inflated its year-end revenue and operating cash flow by \$17 million when it realized its year-end revenue and operating cash flow for 2000 was going to be short of analysts' expectations. To do so, Charter entered into one contract under which it agreed to pay two of its digital set-top box suppliers an additional \$20 for each set-top box it purchased and simultaneously entered into another contract under which its set-top box suppliers agreed to purchase \$20 in advertising services from Charter for each set-top box Charter purchased. In reality, no real revenue was generated from these transactions because Charter provided the suppliers with the money they used to purchase the advertising services from Charter. Charter overpaid approximately \$17 million to the two set-top box suppliers and received the same amount back from the two suppliers as advertising revenue in the fourth quarter of 2000. Consequently, Charter improperly inflated its 2000 year-end revenue and operating cash flow that it reported to the Commission and to the public in its Form 10-K for 2000.

Charter's Inflation of Subscriber Numbers

4. Subscriber numbers are an important measure used to rank cable companies and used to predict future cash flow, revenue and company growth. Specifically, Charter's rank as the third largest cable company is dependent on its total number of subscribers. Charter published its subscriber numbers and subscriber growth rate in press releases and reported these figures in quarterly and annual reports filed with the Commission. Further, investment analysts routinely focused on subscriber numbers in their reports and conference calls, among other factors, to make their recommendations and value a cable company's stock.

5. Charter held itself out as an industry leader in subscriber growth. Specifically, in 1999 Charter reported that its basic customer growth of 3.1% exceeded the national average of 1.8%. In 2000, Charter held itself out as an industry leader in subscriber growth by reporting basic subscriber growth of 2.5% for the year. Similarly, in 2001, Charter reported that it continued to pace the industry with customer growth of 1.1%.

6. At the end of each prior year, Charter set its subscriber growth targets for the upcoming year through the company budget process. As part of the budget process, Charter assigned subscriber growth targets to each of its divisions. In turn, the divisions assigned the responsibility of meeting the division's subscriber growth targets to its region and system levels that set subscriber growth targets on a monthly and quarterly basis.

7. Beginning in the first quarter of 2001, Charter began experiencing an increase in the number of customers switching to satellite television service and customers who, at the end of a special price promotion period, either became delinquent in paying their account balances or requested that their service be terminated. As the competition from satellite providers and the number of delinquent paying subscribers increased throughout 2001, some of Charter's regions stopped disconnecting some of its subscribers who Charter would have ordinarily disconnected in order to meet subscriber growth targets. At Charter this process was known as "managing disconnects" or "holding disconnects." By managing or holding disconnects, customers remained in Charter's subscriber count and enabled it to meet subscriber growth targets for the company.

8. Charter had no company-wide policy as to when to disconnect delinquent paying or "non-pay" customers. Some systems at Charter historically disconnected customers when their accounts became 60 to 75 days past due, but during the first through the fourth quarters of 2001 were told not to disconnect these customers in order to inflate subscriber numbers. To this end, Charter allowed accounts for customers' who otherwise would have been disconnected to age well past 60 days to meet subscriber growth targets. Many non-pay customers' accounts were held for more than 90 days and some well over 120 days before being disconnected. By not disconnecting these customers' service, Charter was able to include these customers in its subscriber count.

9. Charter's usual business practice was to disconnect a customer's service within seven to ten days after a customer voluntarily requested termination of their service. To meet subscriber growth targets, however, Charter occasionally ignored this practice by delaying the disconnect of customers' services to beyond seven to ten days. By not timely disconnecting these customers' services, Charter was able to include these customers in its subscriber count.

10. By improperly managing disconnects, Charter was able to tell the public that for the first through fourth quarters of 2001 it was meeting and, at times, exceeding analysts' expectations for subscriber growth when, in fact, Charter actually experienced flat to negative growth for those periods. If, however, Charter employees had followed usual disconnect practices and removed subscribers who should have been disconnected from active subscriber rolls, it would have reported materially lower subscriber totals.

11. As a result of managing disconnects, Charter included materially inflated subscriber numbers in its Forms 8-K containing the press releases on its financial results for the first quarter through fourth quarter of 2001, its Forms 10-Q for the first quarter through the third quarters of 2001 and its Form 10-K for 2001. Thus, by inflating subscriber numbers Charter misstated the number of subscribers and subscriber growth figures it reported to the Commission and falsely depicted itself to the public and analysts as a growing company.

Charter's Inflation of Revenue and Operating Cash Flow

12. In the fourth quarter of 2000, Charter realized that its 2000 year-end revenue and operating cash flow was going to be approximately \$17 million short of Charter's budget targets and analysts' expectations. Analysts use these numbers to assess the company's stock value and Charter reports them in its quarterly and annual reports, analyst's conference calls and press releases.

13. To generate additional revenue and operating cash flow in order to overcome the fiscal year 2000 shortfall, Charter devised a scheme to get advertising business from its digital set-top box suppliers. To carry out the scheme, Charter entered into one agreement under which it paid two of its set-top box providers an additional \$20 for each set-top box it purchased and simultaneously entered into another agreement under which the two set-top box providers purchased \$20 in advertising from Charter for each set-top box Charter purchased. Charter increased its revenue and operating cash flow with the \$20 Charter was paid by the suppliers as advertising revenue. In effect, however, no real revenue was generated by these transactions because by paying an additional \$20 per set-top box, Charter gave the suppliers the money to purchase the advertising services from Charter.

14. Charter improperly recognized revenue from these transactions because they were barter transactions. According to the principals set forth in SAB 101 and EITF 99-17, revenue cannot be recognized from barter transactions unless there is a determinable fair value. In addition, Charter was advised at the time by its auditor that in order to properly recognize revenue from these transactions and avoid these transactions from being considered barter transactions, the transactions had to be: 1) unrelated to each other; 2) negotiated at least one month apart; and 3) set at fair market value. Instead, Charter negotiated both the set-top box and advertising contracts at the same time in September 2000 and tried to conceal the fact that the contracts were negotiated simultaneously by backdating the set-top box contracts to August 2000. Additionally, the contracts were related given that both contracts were executed to carry out the scheme to raise additional revenue and operating cash flow. Finally, these transactions were not undertaken at the fair value of the time slots purchased because these set-top box suppliers paid four to five times more for their advertisement time slots than other parties had paid Charter for advertisement time slots during 2000.

15. As a result of this scheme, Charter improperly recognized approximately \$17 million in advertising revenue and was able to meet analysts' expectations as to revenue and operating cash flow in the fourth quarter of 2000. Consequently, Charter overstated its 2000 year-end

revenue and operating cash flow by approximately \$17 million in its Form 10-K for 2000.

Charter's Violations of the Exchange Act

16. As a result of the conduct described above, Charter violated Section 13 (a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder, which require issuers of securities registered pursuant to Section 12 of the Exchange Act to file accurate reports on Forms 10-K, 10-Q and 8-K. These reports must contain any material information necessary to make statements made in the reports not misleading. No showing of scienter is necessary to establish an issuer's violation of the corporate reporting provisions. See *SEC v. McNulty*, 137 F.3d 732, 740-41 (2d Cir. 1998). As discussed above, Charter violated these provisions by filing periodic reports that misstated its total number of basic subscribers and subscriber growth numbers for the first through fourth quarters of 2001 in its Forms 8-K containing press releases on its financial results from the first quarter through fourth quarter of 2001, its Forms 10-Q from the first quarter of 2001 through the third quarter of 2001 and its Forms 10-K for 2001. In addition, Charter overstated its operating cash flow and revenue for the year-end 2000 in its Form 10-K for 2000.

17. As a result of the conduct described above, Charter also violated Section 13(b)(2)(A) of the Exchange Act and Rule 13b2-1 thereunder. Section 13(b)(2)(A) requires reporting companies registered under Section 12 of the Exchange Act to make and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the issuer's assets. In addition, Rule 13b2-1 of the Exchange Act prohibits any person from directly or indirectly falsifying any book, record or account required to be kept pursuant to Section 13(b)(2) (A) of the Exchange Act. Charter misstated the number of subscribers it reported in books, records and accounts for the first through fourth quarters of 2001 and overstated its 2000 year-end operating cash flow and revenue by approximately \$17 million by improperly recognizing revenue from its set-top box suppliers. Charter violated Rule 13b2-1 when it falsified its books and records by reporting subscribers in its total subscriber count that should have been disconnected, improperly recognizing revenue and operating cash flow from barter transactions and backdating contracts.

18. Further, as a result of the conduct described above, Charter violated Sections 13(b)(2)(B) and 13(b)(5) of the Exchange Act. Section 13(b)(2) (B) requires reporting companies to devise and maintain a system of internal accounting controls sufficient to reasonably assure that transactions are recorded and financial statements are prepared in conformity with GAAP. Additionally, Section 13(b)(5) of the Exchange Act provides that, among other things, no person shall knowingly circumvent or fail to implement a system of internal accounting controls or falsify any book, record or account described in Section 13(b)(2). Charter had no formal policies or procedures sufficient to assure that systems were not managing or holding disconnects in order to artificially inflate subscriber numbers and that employees had properly accounted for revenue and cash flow from barter transactions. Moreover, Charter violated Section 13(b)(5) by instructing systems not to follow the disconnect procedures they did have and allowing employees to backdate the set-top box contracts with its suppliers.

Undertakings

Respondent undertakes to:

- A. Assure that public disclosures made by Charter to its shareholders and Commission are accurate and complete, that such disclosures fairly present Charter's financial condition and results of operations, and that such disclosures are made on a timely basis, as required by applicable laws and regulations.
- B. Assure that it reports accurate subscriber numbers and subscriber growth, stops the practice of holding disconnects to meet budget targets and complies with the company's new disconnect policies.
- C. Assure that internal controls are in place to prevent recurrences of the improper accounting treatment in the fourth quarter of 2000 resulting in Charter overstating its revenue by \$17 million. To this end, Charter will undertake certain actions, including, but not limited to, the following: a) assure that barter transactions are afforded the correct accounting treatment under GAAP; and b) develop a system of accounting oversight to assure that contracts are dated properly.
- D. Adopt a zero tolerance policy on holding or managing disconnects in order to inflate subscriber numbers and terminate any employee found to be managing or holding disconnects for this purpose. In addition, Charter's Chief Executive Officer will issue quarterly written reminders to all employees regarding Charter's zero tolerance policy for holding or managing disconnects in order to inflate subscriber numbers.
- E. Institute a formal written policy that details disconnect procedures for terminating the service of delinquent paying subscribers. This policy will require that delinquent paying customers' service be terminated 60 to 75 days after their account balance becomes past due ("termination date") and that their balances be written off to bad debt 90 to 110 days after their account balances become past due ("write off date"). Charter may specifically identify a few categories of subscribers that, for historical business reasons, Charter permits to remain as active subscribers for more than 75 days after a bill becomes past due. Any exceptions Charter makes to allow a delinquent paying customer to remain an active subscriber after 75 days of non-payment shall be documented, reviewed and approved by Key Market Area management personnel at or before the close of each billing cycle. Division level management shall also review and approve these documented exceptions to Charter's formal written disconnect policy at or before the close of each billing cycle. In its formal written disconnect policy, Charter shall identify these categories of subscribers and describe for each the reasons for making an exception to its formal written disconnect policy as well as termination dates and write off dates applicable to each exception. Charter may periodically add, subtract or change the categories of customers excepted from its formal written disconnect policy with an appropriate disclosure in its public filings with the Commission. In the cases of any exceptions made to Charter's formal written disconnect policy, Charter may not keep any delinquent paying subscribers on its subscriber rolls for the purpose of increasing reported subscriber numbers.

F. Establish a Corporate Director of Credit and Collections who is responsible for monitoring Charter's credits and collections and developing reports that monitor bad debt on a monthly basis. These reports will be distributed to Charter's Chief Operating Officer and to the Legal Department who will investigate and remedy instances when bad debt may be rising and ensure that employees are promptly disconnecting non-paying subscribers.

G. Reform its Corporate Compliance Program by, among other things, establishing a web site and toll-free telephone number managed by an independent third party through which employees can report suspected violations of its accounting procedures and code of ethics. In addition, Charter will establish a Compliance Committee to evaluate suspected violations, conduct investigations and make disciplinary recommendations.

H. Cease considering the achievement of subscriber growth targets as a component of employee bonuses.

I. Replace its top-down budget process with a bottom-up budget process that eliminates industry analysts' projections as a component of setting Charter's budget goals.

J. Include a disclosure in its quarterly and annual filings with the Commission as to the number of active subscribers whose accounts are more than 60 days, 90 days and 120 days past due.

K. Instruct its internal auditors to review compliance with Charter's formal disconnect procedures on a quarterly basis and report the findings to its public auditors in connection with its annual audit.

L. Any undertakings set forth in Section III above which were implemented prior to the date of this Order shall be maintained.

Remedial Efforts by Charter Communications

19. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation Respondent afforded the Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Charter's Offer.

Accordingly, it is hereby ORDERED:

A. Pursuant to Section 21C of the Exchange Act, that Charter cease and desist from committing or causing any violations and any future violations of Sections 13(a), 13(b)(2)(A), 13(b)(2)(B), and 13(b)(5) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, 13a-13 and 13b2-1 thereunder; and

B. Charter shall comply with the undertakings enumerated in Section III above.

By the Commission.

Jonathan G. Katz
Secretary

<http://www.sec.gov/litigation/admin/34-50098.htm>

[Home](#) | [Previous Page](#)

Modified: 07/27/2004

Exhibit C

ALLEGIANCE TELECOM
LINE ANALYSIS
Product Summary

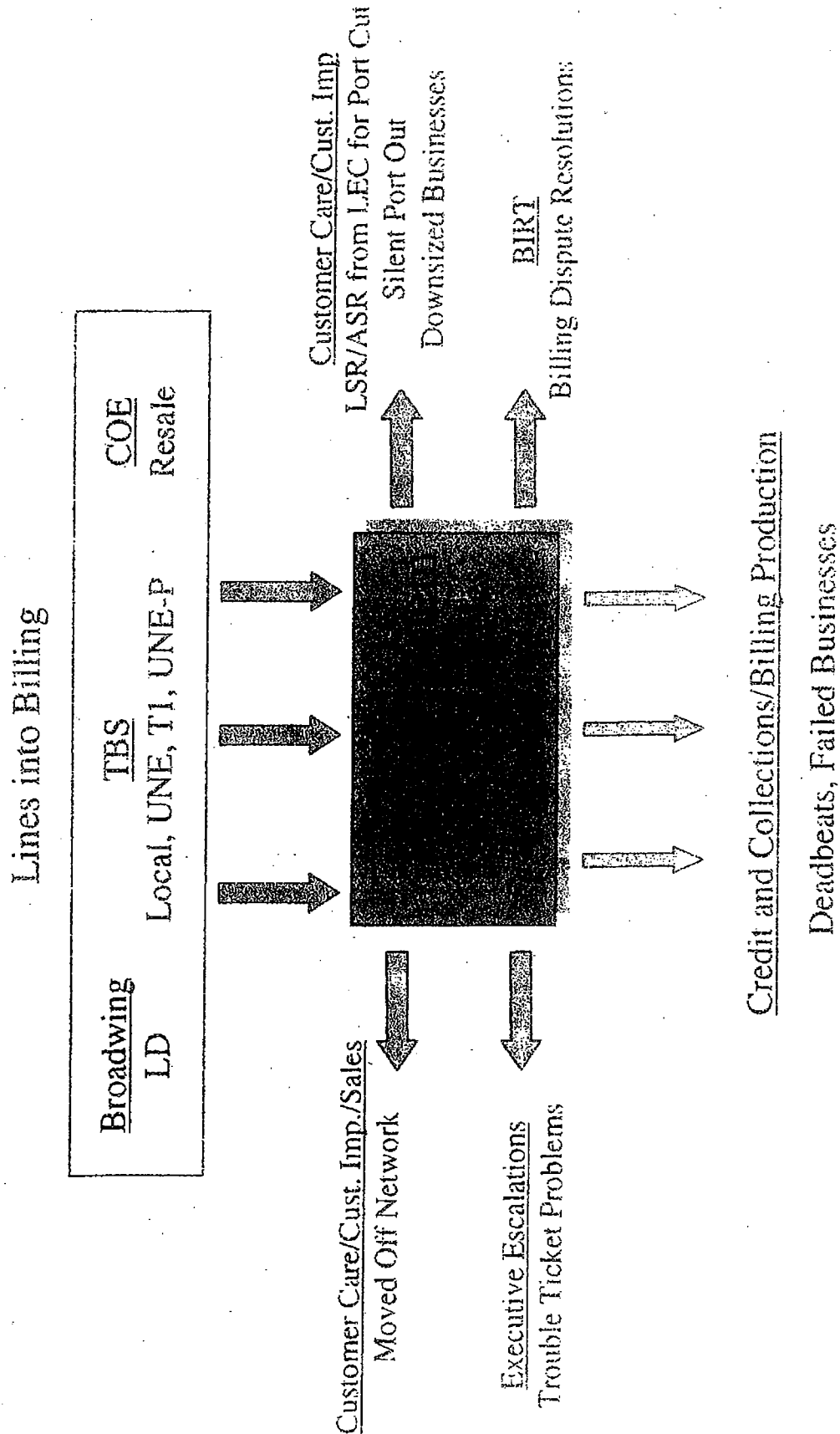
	ACT Jan-02	PLAN Jan-02	VARIANCE
Gross Sales			
UNE	30,591	34,510	(3,919)
Resale	3,218	2,341	877
DSL	-	-	-
T1-Voice	3,305	3,880	(555)
Data/Internet	8,056	4,841	1,415
Integrated Access	1,336	4,091	(2,755)
Total Communications	15,868	20,397	(4,529)
T1 Based Products	26,565	32,990	(6,425)
Total Retail	60,374	69,841	(9,467)
MMPS/PRU	337	14,568	(14,231)
Hosting: Internet Access	-	-	-
Coast to Coast	-	-	-
Total	60,711	84,409	(23,698)
Cancels			
UNE	5,392	6,289	877
Resale	399	252	(147)
DSL	-	0	0
T1-Voice	1,871	1,080	(811)
Data/Internet	1,428	953	(475)
Integrated Access	846	516	(130)
Total Communications	3,735	3,554	(181)
T1 Based Products	7,680	6,083	(1,597)
Total Retail	13,471	12,604	(867)
MMPS/PRU	118	-	(118)
Hosting: Internet Access	-	-	-
Coast to Coast	-	-	-
Total	13,589	12,604	(985)
Net Sales			
UNE	25,199	28,242	(3,043)
Resale	2,819	2,089	730
DSL	-	(0)	0
T1-Voice	1,434	2,800	(1,366)
Data/Internet	4,628	3,888	940
Integrated Access	690	3,576	(2,886)
Total Communications	12,133	15,843	(4,710)
T1 Based Products	16,865	26,907	(10,022)
Total Retail	46,903	57,237	(10,334)
MMPS/PRU	219	14,568	(14,349)
Hosting: Internet Access	-	-	-
Coast to Coast	-	-	-
Total	47,122	71,805	(24,683)
Beginning Lines			
UNE	391,452	422,465	(31,013)
Resale	59,006	58,489	517
DSL	762	647	115
T1-Voice	15,248	21,327	(6,079)
Data/Internet	40,347	36,740	3,607
Integrated Access	22,473	28,506	(6,033)
Total Communications	50,868	55,876	(5,008)
T1 Based Products	128,954	142,551	(13,597)
Total Retail	560,174	624,152	(63,978)
MMPS/PRU	322,082	308,216	13,866
Hosting: Internet Access	60,713	60,713	-
Coast to Coast	21,919	21,919	-
Corporate	30,102	-	30,102
Total	1,015,060	1,015,060	0

Confidential
 Algx-Fin 06010

Proprietary and Confidential: Distribution Limited Solely to Board of
 Directors and Authorized Employees of Allegiance Telecom, Inc.
 Page 6

Exhibit D

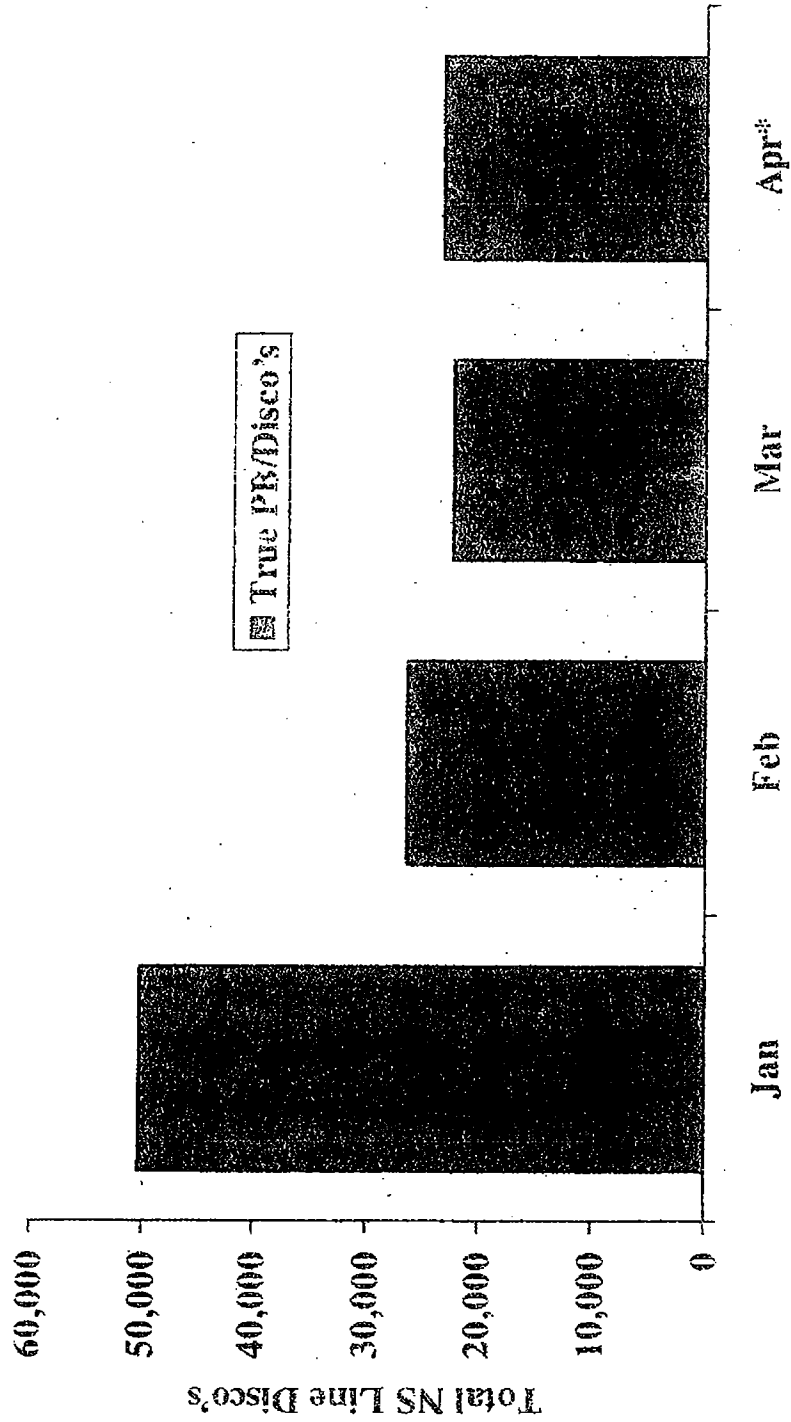
Inputs and Leakage End User Lines



Confidential
Alpx-Fin 00582

Clay Myers
#210
Kornegay #112

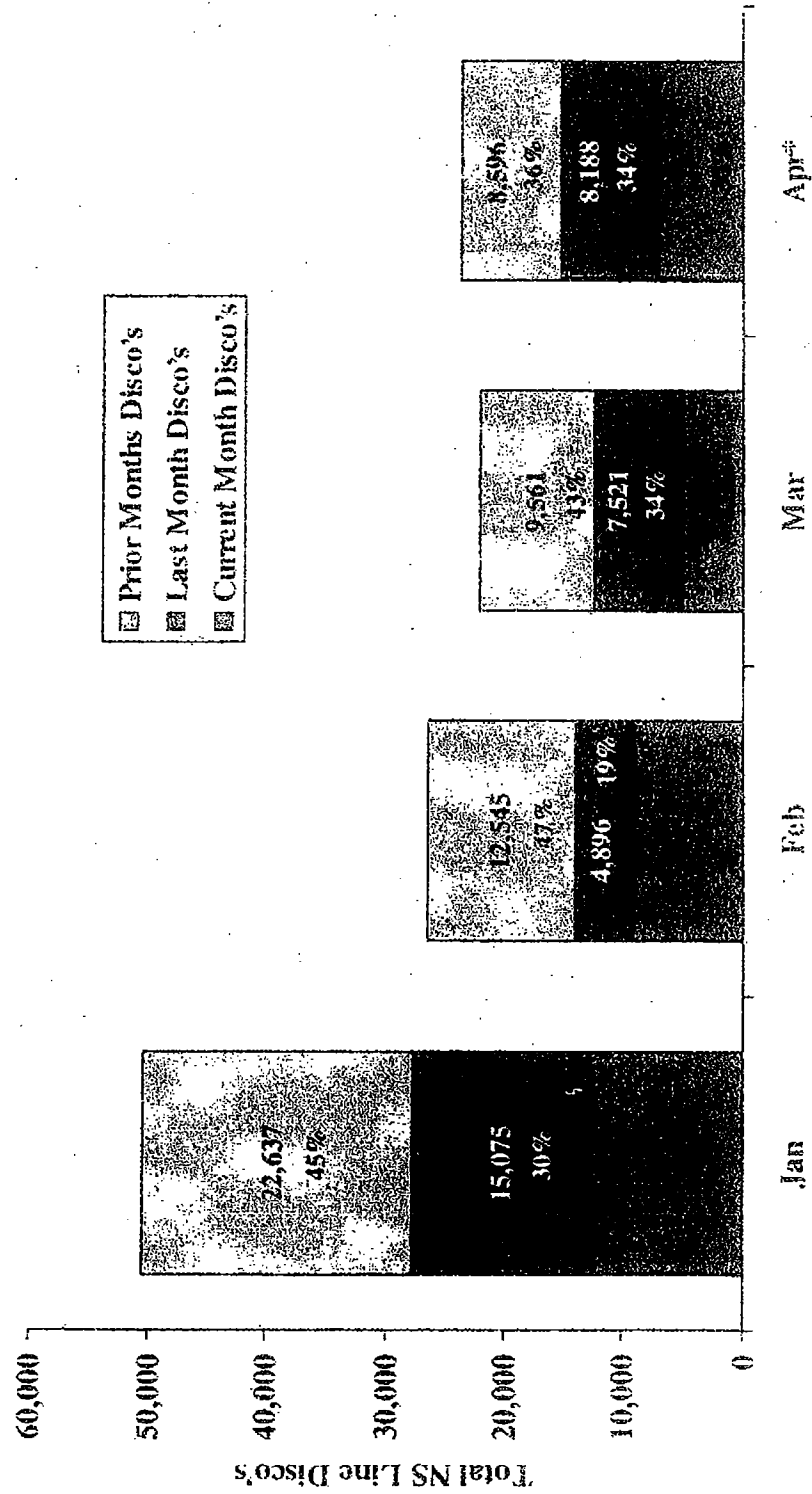
NS Disconnects by Month in 2002



Confidential
Allyx-Fin 00583

*April data through 4/23/02
Network Strategies Disconnects Only

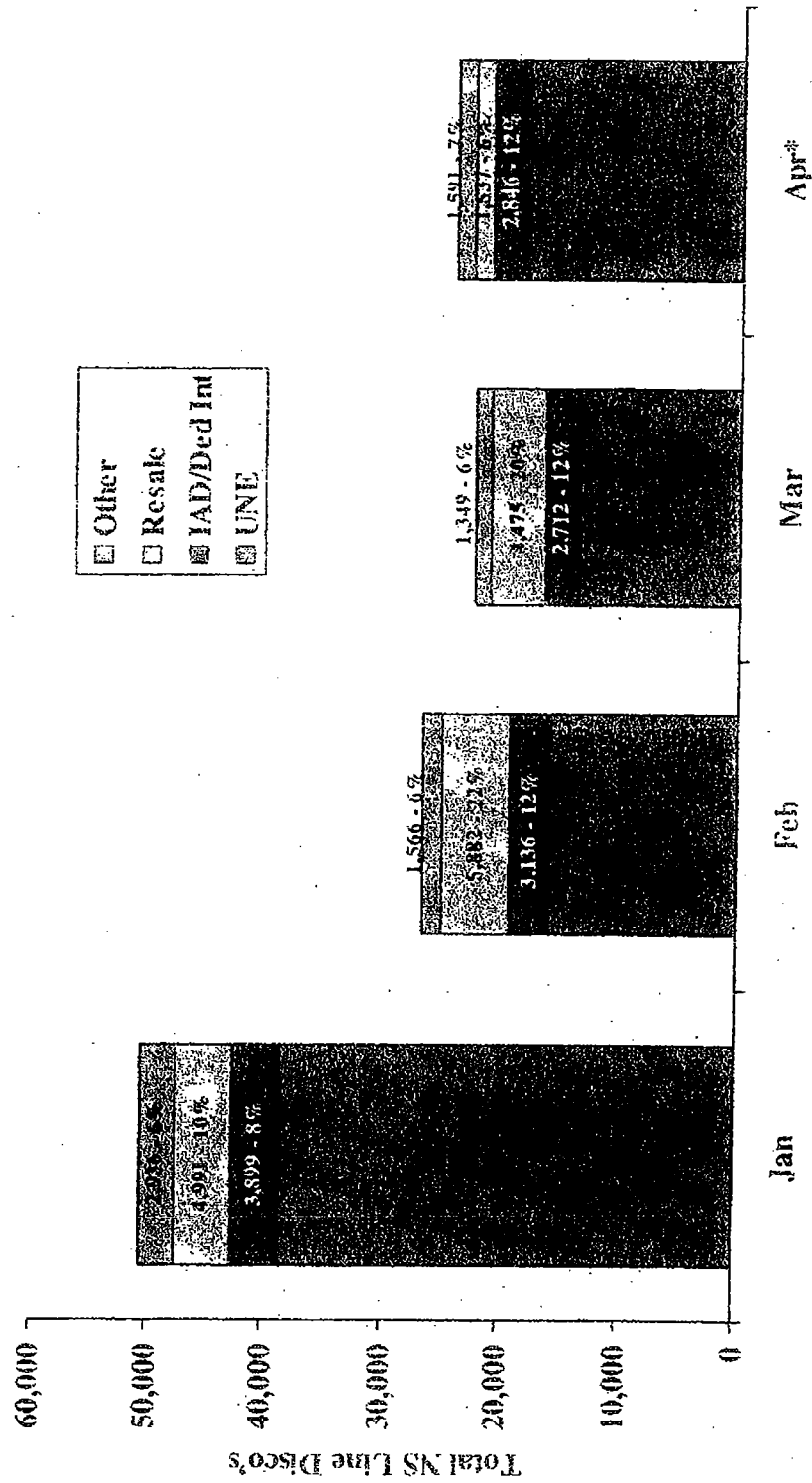
NS Disconnects by Month in 2002



* April data through 4/23/02
Network Strategies Disconnects Only

Confidential
Algr-Pin 00584

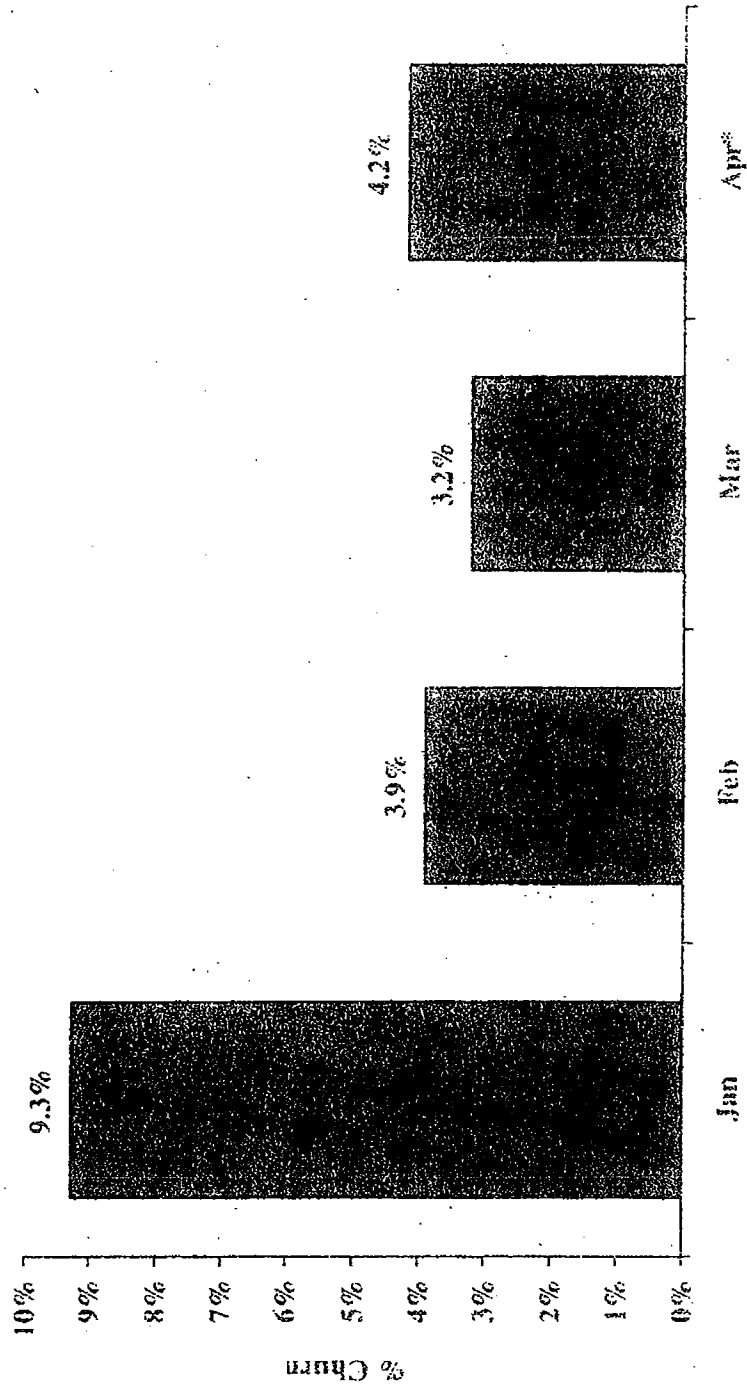
NS Disconnects by Product in 2002



* April data through 4/23/02
Network Strategies Disconnects Only

Confidential
Algx-Fin 00585

Churn Rate by Product - UNE's

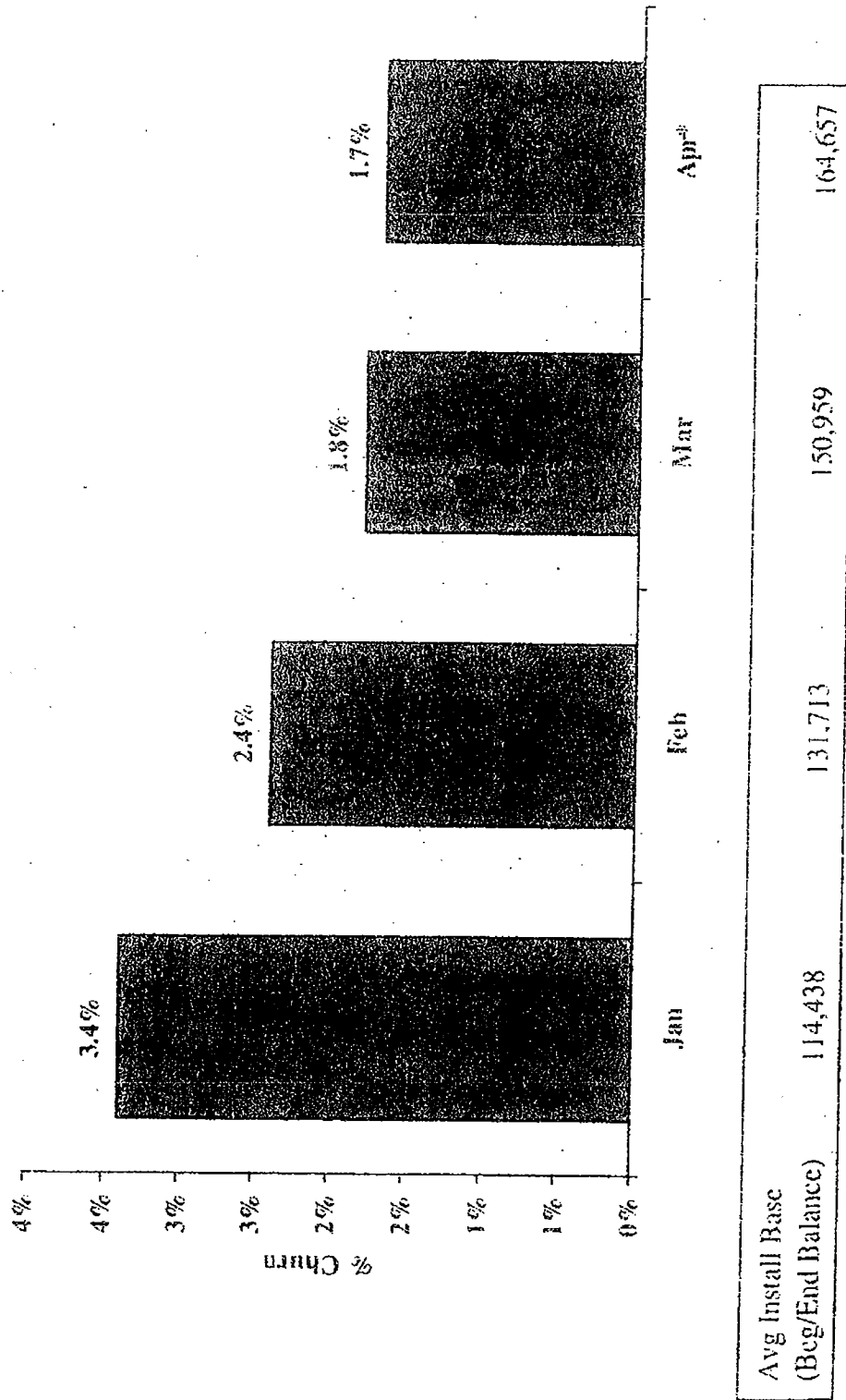


Avg Install Base (Beg/End Balance)	414,425	411,361	421,160	428,091
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Confidential
Alx-Fin 00586

* April data through 4/23/02
Network Strategies Disconnects Only

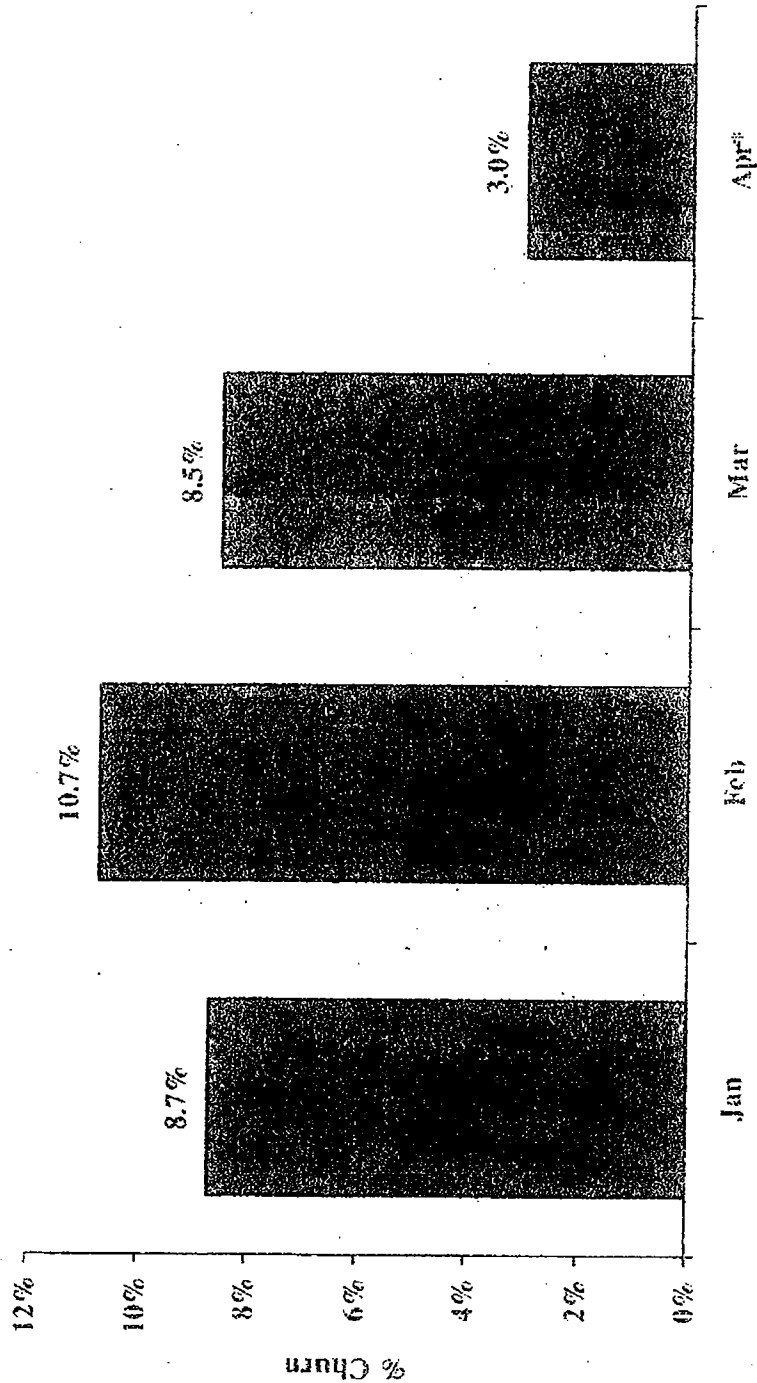
Churn Rate by Product - IAD/Ded Int



Confidential
Algex-Fin 00587

* April data through 4/23/02
Network Strategies Disconnects Only

Churn Rate by Product - Resale

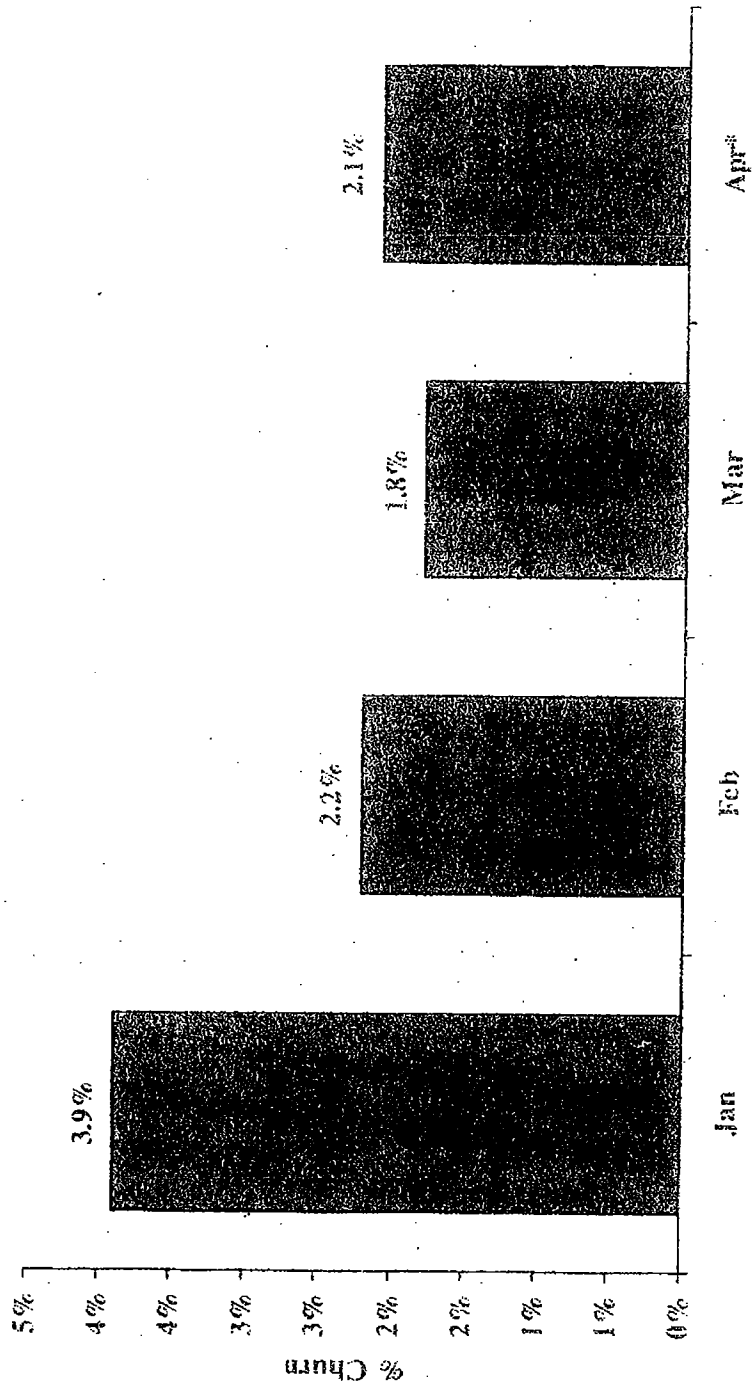


Avg Install Base (Beg/End Balance)	57,595	54,949	52,832	51,277
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Confidential
Algx-Fin 00588

* April data through 4/23/02
Network Strategies Disconnects Only

Churn Rate by Product - Other

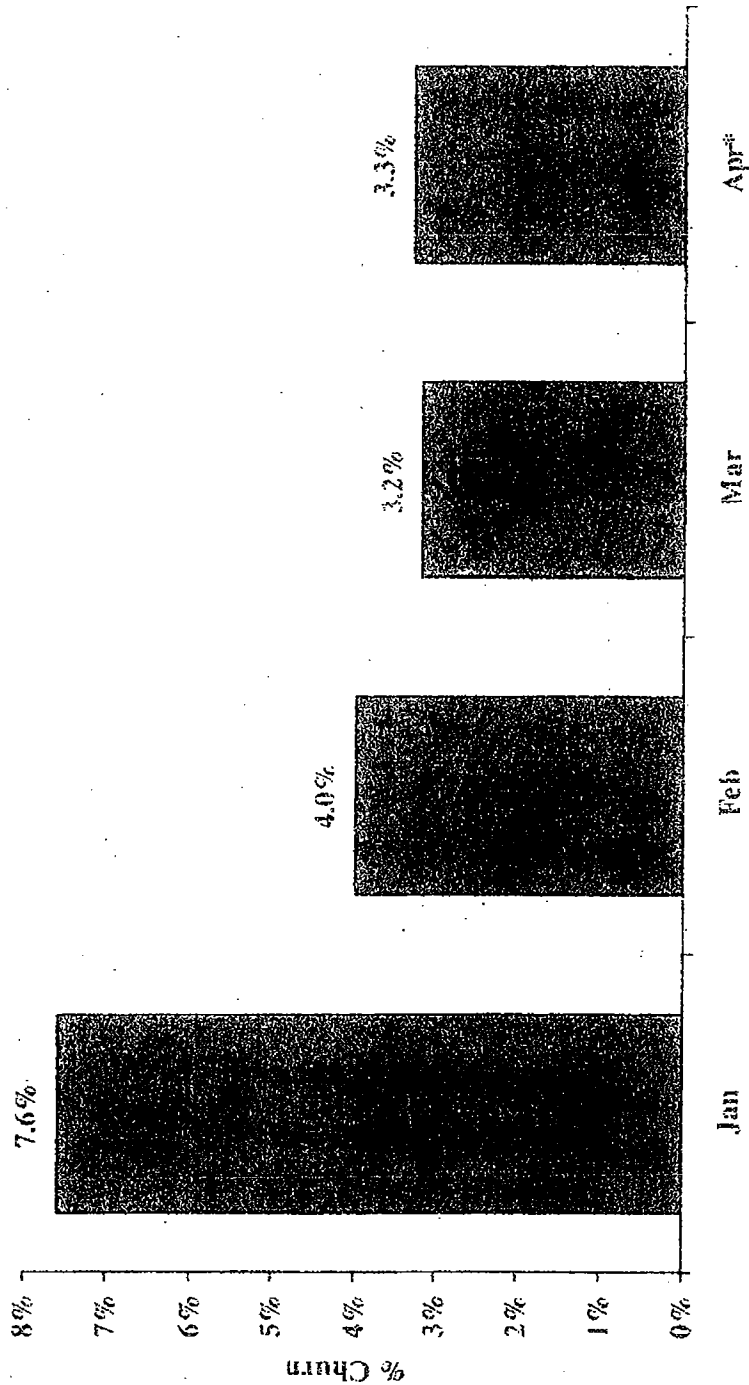


Avg Install Base (Beg/End Balance)	75,089	72,729	75,187	77,543
---------------------------------------	--------	--------	--------	--------

Confidential
Alg-Fin 00589

* April data through 4/23/02
Network Strategies Disconnects Only

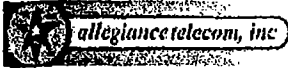
Churn Rate by Product - All Products



Avg Install Base (Beg/End Balance)	661,546	670,752	700,137	721,568
---------------------------------------	---------	---------	---------	---------

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* April data through 4/23/02
Network Strategies Disconnects Only



Allegiance Telecom
Billing Disconnect Forecast
 Processed as of 4/23/02 8:16:02 AM

Central Office	PSR Number	DD Comp Date	Status	TEL #	RPON	State
WILLIAMSBURG						
	1102551	4-10-02 6:17:10 PM	A	7153266097	NY-CHG-HIS(OK)	NY
	1109320	4-4-02 3:17:13 PM	A	7153320490	PG-NY-SILENT PB	NY
	1109370	4-4-02 3:17:13 PM	A	7153320491	PG-NY-SILENT PB	NY

Total Lines for WILLIAMSBURG
 WILMINGTON

	1107322	3/26/02 3:01:19 PM	A	3102434101	CA-CHG-DIS(OK)	CA
	1107322	3/26/02 3:01:19 PM	A	3102434100	CA-CHG-DIS(OK)	CA
	1107322	3/26/02 3:01:19 PM	A	3104474195	CA-CHG-DIS(OK)	CA

Total Lines for WILMINGTON
 WOODLAND II

	1107946	3/26/02 4:31:45 PM	A	5305610418	PB-CA-3305510418-499	CA
	1107941	3/26/02 3:17:14 PM	A	5305533340	PB-CA-3305533340-330	CA
	1107657	3/29/02 10:40:19 PM	A	5306603333	PB-CA-3306603333-533	CA
	1107657	3/29/02 10:40:19 PM	A	5306603333	PB-CA-3306603333-533	CA
	1107657	3/29/02 10:40:19 PM	A	5306603333	PB-CA-3306603333-533	CA
	1107657	3/29/02 10:40:19 PM	A	5306603333	PB-CA-3306603333-533	CA
	1107657	3/29/02 10:40:19 PM	A	5306603333	PB-CA-3306603333-533	CA

Total Lines for WOODLAND II
 WYANDOTTE

	1129239	4/1/02 3:35:16 PM	A	7142735330	PHIL-WB-3342735330	MI
	1253238	4/1/02 3:35:16 PM	A	7142735333	PHIL-WB-3342735333	MI
	1129239	4/1/02 3:35:16 PM	A	7142735330	PHIL-WB-3342735330	MI

Total Lines for WYANDOTTE
 YORK

	1174003	4/1/02 3:30:15 PM	A	4433240711	MD-CHG-HIS(OK)	MD
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Total Lines for YORK

Total Portback Lines	1496
Total Disconnected Lines	336
Total Lines	2234

DD Month	PB	Disco	Grand Total
03/2002	100	306	1406
04/2002	716	332	1108
Grand Total	1496	738	2234

Above totals illustrate PB or DISCO lines Active in NS.

Disc and PB orders with DD task closed and BillingD task still open

Portbacks/Disconnects in Progress

Order #	FOC	Cust Name	Lines	COE Flag	NS Status	Active Tasks
						Washington D.
						Washington DC

Grand Totals:

Total Lines Pending Portback/Disconnect in TBS: 10,652

Total Lines Pending Removal from COE: 10,470

Total Lines Pending Disconnect from Billing: 7,188

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App. 319



Project Tourniquet

A Two-Phase Approach to Slashing Churn



Root Cause Analysis



allegiance telecom, inc.
100 NEW YORK AVENUE, SUITE 1000
NEW YORK, NY 10022

- Review resolution codes for all trouble tickets and billing disputes
- Winback Team root cause data
- Weekly review with Executive Escalations and Bill of Rights Managers
- Focus on process and procedure changes to eliminate the major causes of dissatisfaction with our customers

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Trouble Ticket Resolutions - MTD April 2002

Reason Code	Count	% of total
Activations Not Performed Count	208	2.25%
ALGX Count	85	0.92%
ALGX COLO Hardware Count	308	3.34%
ALGX COLO Software Count	123	1.33%
ALGX Inside Plant Count	80	0.87%
Blocked / Non Payment Count	12	0.13%
Blocked or NonPayment Count	1	0.01%
CPE Billable Count	294	3.19%
Customer Count	141	1.53%
Customer Canceled Ticket Count	346	3.75%
Customer Education Count	305	3.31%
Customer Premise Equipment Count	566	6.14%
Customer Wire / Cable Count	735	7.97%
Disconnect In Error Count	96	1.04%
Duplicate Ticket Count	216	2.34%
IAD Count	10	0.11%
IAD Hardware Count	65	0.70%
IAD Software Count	81	0.88%
ILEC Count	156	1.69%
ILEC Cable F1 Count	532	5.77%
ILEC Cable F2 Count	707	7.66%
ILEC Cable MDF Count	229	2.48%
ILEC Hardware Count	432	4.68%
ILEC Translations Count	189	2.05%
LERG External Count	9	0.10%
NetTrans Count	8	0.09%
NetTrans Carrier Analysis Count	5	0.05%
NetTrans Digt Analysis CDI Count	5	0.05%
NetTrans Digt Analysis Other Count	18	0.20%
NetTrans Digt Analysis RTI Count	34	0.37%
NetTrans Digt Analysis Vacant Count	39	0.42%
NetTrans Office Parameter Count	1	0.01%
NetTrans Screening Count	14	0.15%
NetTrans Signaling Count	22	0.24%
NetTrans Trunking Count	12	0.13%
No Trouble Found Count	76	0.82%
No Trouble Found ALGX Count	1039	11.26%
No Trouble Found ILEC Count	214	2.32%
NTF Billable Count	106	1.15%
Order Issue Count	325	3.52%
Please Specify Count	3	0.03%
Portback Count	65	0.70%
RPOTS / RUVG Card Issue Count	202	2.19%
RPOTS or RUVG Card Issue Count	34	0.37%
Systems Test Ticket Count	22	0.24%
Toll Carrier Count	27	0.29%
Toll Carrier ALGX Count	299	3.24%
Toll Carrier Non ALGX Count	183	1.98%
Translations Not Built Count	30	0.33%
Translations Not Built - Feature Count	342	3.71%
Translations Not Built - Hunt Group Count	77	0.83%
Translations Not Built - Network Count	67	0.73%
Wrong Signaling Type Count	30	0.33%
Grand Count	9225	

BIRT RESOLUTION CODES - APRIL							
Subtype	Resolution Codes	Total		Subtype Total	%	Res Total	Reason
		Clarity	ARS				
Billed After Disco - BAD	BAD - Order never placed for disco of service	127	1			128	29.84%
	BAD - COE order not worked or rejected	17				17	3.96%
	BAD - Billing task never completed	57				57	13.29%
	BAD - Translations task never completed	28		429	21.62%	28	6.53%
	BAD - Numbers never disco'd in NS	154	1			155	36.13%
	BAD - Silent portback	10				10	2.33%
	BAD - Feature not disco	34				34	7.93%
Billed After Cancel - BAC	BAC - Cancel never reported cust	49				49	44.95%
	BAC - Order canceled after billing turn-up	20		109	5.49%	20	18.35%
	BAC - Cancel requested but not worked	40				40	36.70%
Billed Before Install - BBI	BBI - FOC date not updated for sup	58				58	50.00%
	BBI - IAD/TC Data turned up before voice	15		116	5.85%	15	12.93%
	BBI - Billing task closed pre-install	30	2			32	27.59%
	BBI - Customer not notified of completed order	11				11	9.48%
Double Billed Lines - DBL	DBL - System Error	3		7	0.35%	3	42.86%
	DBL - Mis-keyed error	4				4	57.14%
Double Billed Features - DBF	DBF - System Error	8		14	0.71%	8	57.14%
	DBF - Mis-keyed error	6				6	42.86%
Tax Exempt - TE	TE - Incorrectly coded in NS	57		64	3.23%	57	89.06%
	TE - Paperwork lost	7				7	10.94%
Tax Rate - TR	TR - Rate incorrect in system	13		13	0.66%	13	100.00%
Feature Pricing - FP	FP - Cust informed that features are free	28		80	4.03%	28	35.00%
	FP - Cust not aware of per usage charge	52				52	65.00%
Feature Not Req - FNR	FNR - Sales order incorrect	103	3			106	33.76%
	FNR - NS keying error	53	2	314	15.83%	55	17.52%
	FNR - TBS keying error	41				41	13.06%
	FNR - Cust not aware of features with LEC	112				112	35.67%
LD Min Usage Chge - LDMU	LDMU - Cust not aware of charge	47				47	43.93%
	LDMU - Cust supposed to be on 5.9 promo	52		107	5.39%	52	49.60%
	LDMU - Cust education required	8				8	7.48%
TN Unknown - TNU	TNU - Mis-keyed line(s)	44				44	26.19%
	TNU - Cust unaware of all TNs	68		168	8.47%	68	40.48%
	TNU - Lines ordered w/out informing customer	48	1			49	29.17%
	TNU - BAC on individual TNs	7				7	4.17%
Line Charge - LC	LC - Product type mis-keyed	23				23	30.67%
	LC - Volume Discount mis-keyed	10		75	3.78%	10	13.33%
	LC - Cust unaware of the T-1 incremental line charges	10				10	13.33%
	LC - Sales quoted different rate	32				32	42.67%
Usage	USAGE - Miss-keyed wrong rate	17	2	45	2.27%	19	42.22%
	USAGE - Sales quoted different rate	26				26	57.78%
Fees	FEES - Install Fees (other)	42				42	17.87%
	FEES - Install Fees (\$99, 499, 899)	20				20	8.51%
	FEES - Account Set Up Fees	77				77	32.77%
	FEES - Vendor Charges	16	1			17	7.23%
	FEES - Service Order Fee	15		235	11.84%	15	6.38%
	FEES - Late Fees	33				33	14.04%
	FEES - Restoral Fees	13				13	5.53%
	FEES - Reimbursement Install Fees	4				4	1.70%
	FEES - PIC Change Fees	14				14	5.96%
Unknown Local Calls		21		21	1.06%	21	100.00%
Unknown Late Calls		19		19	0.96%	19	100.00%
Service Downtime		47	7	54	2.72%	54	100.00%
Sales Goodwill - SG	SG - Sales quoted non-standard pricing	15	5	20	1.01%	20	100.00%
Other	Invoice Reprint	6				6	6.38%
	TC Promo Credit	5		94	4.74%	5	5.32%
	Check Request	83				83	88.30%
		1959	25	1984	100.00%	1984	

Winback Root Cause - MTD April

ASE TYPE	ISSUE	QUANTITY	AVG MTTC	ISSUE PCT%	Weighted MTTC	TYPE MTTC	ISSUE TYPE PCT%
BILLING	Billed After Disconnect	63	728.39	7.50%	54.63		
	Deny Usage	4	70.4	0.48%	0.34		
	Feature Dispute	1	25.27	0.12%	0.03		
	Feature Not Requested	2	14.26	0.24%	0.03		
	Feature Requested Not Active	2	72.55	0.24%	0.17		
	Install Fees Other	2	624.73	0.24%	1.49		
	Service Impacting Credit	6	68.55	0.71%	0.49		
	Waive Set Up Fees	15	21.73	1.79%	0.39		
	Bill Inquiry	1	0.92	0.12%	0.00		
	Billed After Cancel	20	825.47	2.38%	19.65		
	Billed Before Install	39	560.23	4.64%	26.01		
	Billing Adjustment	439	954	52.26%	498.58		
	Check Request	5	286.99	0.60%	1.71		
	Portback Charges	9	677.94	1.07%	7.26		
	Feature Dispute	55	742.33	6.55%	48.60		
	LD Min Usage Charge	5	697.85	0.60%	4.15		
	Line Charge	25	745.46	2.98%	22.19		
	Please Specify	19	940.82	2.26%	21.28		
	Pricing	60	783.12	7.14%	55.94		
	Sales Goodwill	3	58.81	0.36%	0.21		
	Set Up Fees	18	190.56	2.14%	4.08		
	Tax Exempt	4	0.05	0.48%	0.00		
	Tax/Surcharge	10	432.12	1.19%	5.14		
	TN Unknown to Customer	26	997.1	3.10%	30.86		
	Early Termination Fees	2	6.31	0.24%	0.02		
	Slamming	5	12.98	0.60%	0.08	803.34	20.05%
STALL	Acceptance Testing	10	44.34	7.63%	3.38		
	Broadband	3	1.75	2.29%	0.04		
	Can't Loop Circuit	1	91.56	0.76%	0.70		
	Failure During Turnup	5	46.7	3.82%	1.78		
	Trouble	23	25.23	17.56%	4.43		
	UNE	89	16.79	67.94%	11.41	21.74	3.13%
INTERNET	Dedicated Connections	139	181.34	85.80%	155.59		
	Dialup	4	34.64	2.47%	0.86		
	Domain Email	6	157.94	3.70%	5.85		
	Domain Only	5	82.87	3.09%	2.56		
	Email Only	2	375.07	1.23%	4.63		
	General Questions	3	8.42	1.85%	0.16		
	Web Hosting Only	3	1171.14	1.85%	21.69	191.33	3.87%
MACD	Add Lines	68	156.25	9.81%	15.33		
	Bill Split	4	132.92	0.58%	0.77		
	Billing Address Change	47	116.71	6.78%	7.92		
	Change Of Ownership	29	162.51	4.18%	6.80		
	COE	22	66.02	3.17%	2.10		
	Directory Listing	56	124.18	8.08%	10.03		
	Disconnect Lines	50	114.73	7.22%	8.28		
	Feature Change	276	211.6	39.83%	84.27		
	LJDB Order	12	95.82	1.73%	1.66		
	Move Order	6	178.55	0.87%	1.55		
	PIC Request	122	110.04	17.60%	19.37		
	800 Number Change	1	69.3	0.14%	0.10	158.17	16.54%
	No Dial Tone	964	35.24	40.78%	14.37		
	Memory Service	83	29.98	3.51%	1.05		
TROUBLE	Data Trouble	32	43.91	1.35%	0.59		
	Can Not Call Out	490	30.34	20.73%	6.29		
	Can Not Be Called	490	34.82	20.73%	7.22		
	Can Not Be Heard	50	29.74	2.12%	0.63		
	Noise Problem	255	35.59	10.79%	3.84	33.99	56.42%

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Defensive Steps



allegiancetelecom, inc.
THE NEW WAY FOR BUSINESS TO CONNECT

- Winback Team - Customer Care transfers
- Local service line freeze - new contracts
- Sales management involved with collections of all accounts over 1,000 MRR (pre-suspensions)
- Customer Care: account segmentation
- Bill of Rights Program



Defensive Steps - page 2



allegiancetelcom, inc.
TEL: 813.544.1111 FAX: 813.544.1112

- New sales compensation plans
- Billing interface
- Billing insert survey cards and website survey
- Written billing dispute cards
- Clarify enhancements for escalations and reporting

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App. 326

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THANK YOU FOR BEING AN ALLEGIANCE TELECOM CUSTOMER.

At Allegiance Telecom, we try to provide the same high quality of service we would want as a valued customer. That is why we developed the Customer Bill of Rights as a means of focusing the attention of our company on each individual customer's needs...one at a time. Please take a moment to tell us how we can help you, or you may e-mail us at CustomerBillOfRights@algx.com

Sincerely, Catherine Weekley, Director, Customer Bill of Rights

I would like an Allegiance Telecom Representative to contact me regarding:

(Check one) New Services ☐ Phone Trouble ☐ Billing ☐ Other ☐

The best time to reach me is Morning ☐ Afternoon ☐ Either ☐ Phone ☐

Account Name Billing Telephone Number

Comments

(Signature) (Date)





THANK YOU FOR BEING AN ALLEGIANCE TELECOM CUSTOMER.

Thank you for your billing inquiry on _____. We have researched your account and determined that your monthly recurring charges for the disputed line/feature(s) will be credited from _____ to _____ and will appear on your next invoice _____. We apologize for any inconvenience you may have experienced. If you have further questions, please call our Customer Care Department at 1-800-553-1989. We appreciate your business!

Customer Service Representative _____

Comments _____

Date _____ Billing Dispute Number _____





CUSTOMER BILL OF RIGHTS QUALITY DASHBOARD

23-Apr-02									
Customer Care and Internet	Offered	% Abandoned	Sp. Answered	Handle Time (min)	Month To Date	Offered	% Abandoned	Sp. Answered	Handle Time (min)
Customer Care	2730	8.60%	167	10.48		37805	7.10%	59	11.33
NRC	1639	8.80%	170	12.08		24867	4.70%	41	14.83
Internet	744	2.70%	25	20.40		12321	5.50%	44	21.43
Billing (Included in C. Care)	1202	7.70%	72	11.78		15475	5.30%	73	unavailable
Save Team									
MTD	4027								
Total Lines	1164								
Reasons (by lines)									
Billing	694	254	37%	22%	Lines Portec Back	22-Apr	80	8459	8539
MACD	739	392	53%	34%					
Misc.	462	177	38%	15%					
Winback	564	17	3%	1%					
Trouble	1568	324	21%	28%					
Total	4027	1164		100%					
Collections									
19-Apr-02	Offered	% Abandoned	Sp. Answered	Talk Time (min)	Month To Date	Offered	% Abandoned	Sp. Answered	Talk Time (min)
BIRT and Collections ACD	545	1.65%	0.08	4.05		7165	2.15%	0.13	3.58
Total Call and Repairs									
21-Apr-02	Offered	% Abandon	New Tickets	Closed Tickets	Month To Date	Offered	% Abandon		
Open BIRT Ticket Summary	5540	7.70%	481	388		78589	6.00%		
22-Apr-02	0-2 days	3-7 days	8-15 days	16-30 days	31-90 days	91+ days	Total	Ave. Age (d)	
Open Tickets (includes any dups)	439	1287	1620	1978	4634	0	9962	29.16	
Repeats									
Chronics									
Troubles Tickets by Group									
22-Apr-02	0-23	24-47	48-71	72-95	96+	Total	Ave. Age		
Field Ops UNE	110	5	4	17	26	162	30.06		
Field Ops Network	3	0	0	2	3	6	114.76		
NRC	196	3	5	40	38	282	37.97		
CIS	6	0	0	4	9	19	94.86		
NOCC	0	0	0	0	2	2	738.31		
BBS/ESG	38	1	1	7	17	64	139.09		
MTD Closed	0-23	24-47		48-95	96+	Total	MTTC		
Field Ops UNE	2811	1000		690	247	4748	29.34		
Field Ops Network	111	32		27	19	189	40.6		
CIS	464	115		147	83	809	38.49		
NRC	1266	757		525	243	2791	39.5		
Misc	729	215		184	145	1273	34.37		
Totals	5381	2119		1573	737	9810	33.86		
Repeats						4.47%			
Chronics						21.18%			
Network									
04/12/02/02	Outages	Line Impacted	MTD	Outages	Line Impacted	Duration (h)			
Co-location summary	5	2964	2:26	0	0	0			
Simplex Summary (included in Co-lo)	2	Unknown	2:04	0	0	0			
Data	2	0	6:45	0	0	0			
ILEC	1	0	0	0	0	0			
CLEC	1	378	1:42	0	0	0			
ALGX	1	1580	0:15	0	0	0			

Chronic - same customer, same service location, 3 tickets (same or different) within 30 days
Repeat - same customer, same service location, 2 tickets (same case type and sub-type) within 72 hours

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**NS DISCONNECTS BY LENGTH IN SERVICE
(EXCLUDING MMPS)**

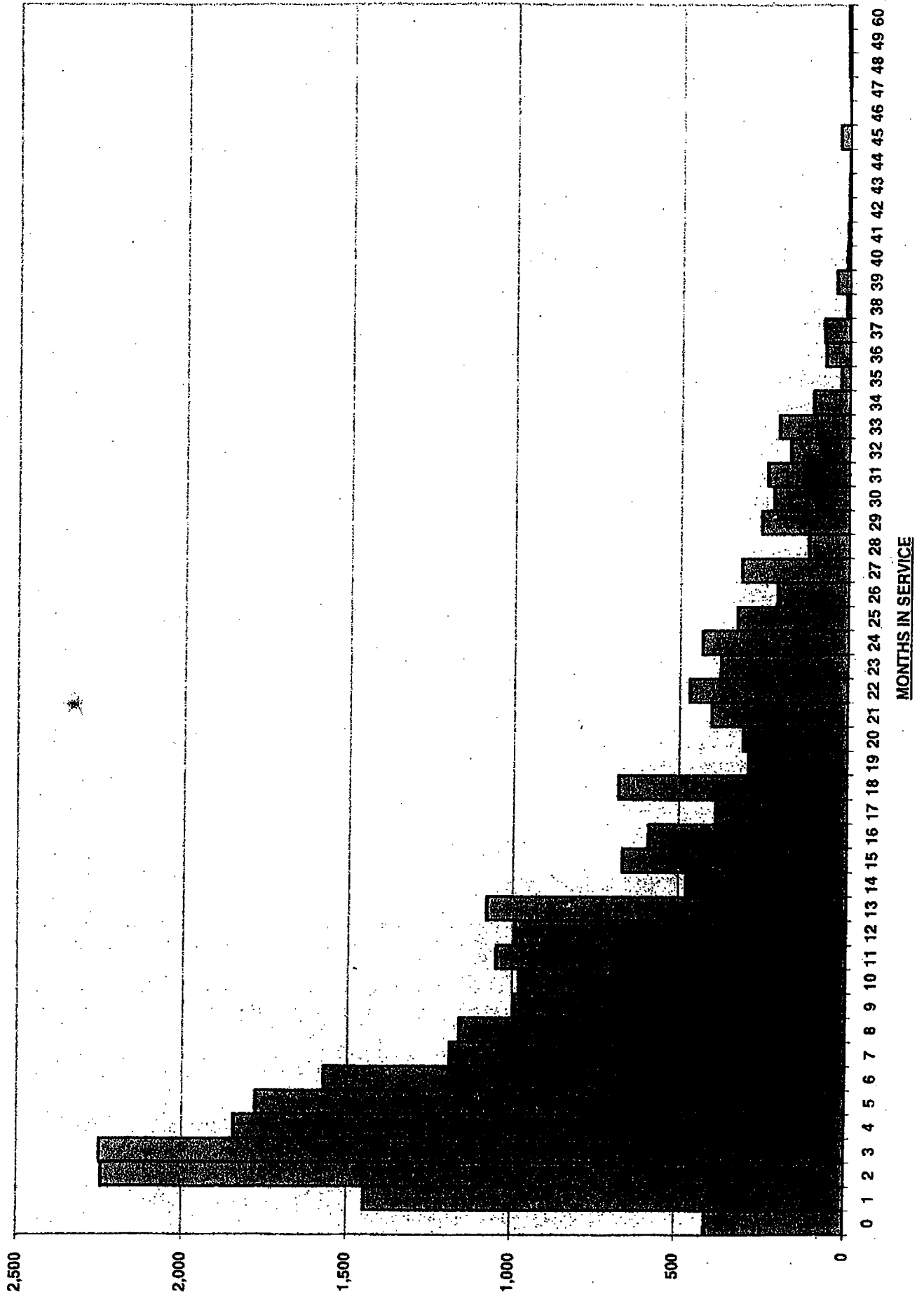
	MONTHS IN SERVICE												TOTAL NS DISCOS	WEIGHTED AVG DURATION
	0	1	2	3	4	5	6	7	8	9	10	11	12	>12
October - 2001	395	1,246	1,213	1,771	2,044	1,562	1,485	1,730	1,446	1,569	1,257	1,020	1,547	10,365
% of NS Disconnects	1.38%	4.35%	4.23%	6.18%	7.13%	5.45%	5.18%	6.04%	5.05%	5.48%	4.39%	3.56%	5.40%	36.18%
November - 2001	342	741	1,340	1,517	2,026	2,367	1,959	1,831	2,222	1,333	1,244	1,045	1,030	11,013
% of NS Disconnects	1.14%	2.47%	4.47%	5.05%	6.75%	7.89%	6.53%	6.10%	7.40%	4.44%	4.15%	3.48%	3.43%	36.70%
December - 2001	420	1,664	1,101	1,492	3,233	1,781	1,510	1,486	1,198	1,580	1,147	938	906	15,040
% of NS Disconnects	1.25%	4.97%	3.29%	4.45%	9.65%	5.32%	4.51%	4.44%	3.58%	4.72%	3.42%	2.80%	2.70%	44.90%
January - 2002	248	1,262	2,351	3,535	4,104	4,332	3,349	3,225	3,267	2,677	3,160	2,801	1,444	17,980
% of NS Disconnects	0.46%	2.35%	4.39%	6.58%	7.64%	8.06%	6.23%	6.00%	6.08%	4.98%	5.88%	5.21%	2.59%	33.45%
February - 2002	750	1,077	1,543	1,442	1,585	1,421	1,576	1,688	1,647	1,403	1,300	1,677	1,182	11,799
% of NS Disconnects	2.49%	3.58%	5.13%	4.79%	5.27%	4.72%	5.24%	5.64%	5.47%	4.66%	4.32%	5.57%	3.93%	39.20%
March - 2002	869	1,777	2,104	2,768	1,842	1,962	1,452	1,236	1,117	1,068	869	919	924	8,869
% of NS Disconnects	3.13%	6.40%	7.57%	9.97%	6.63%	7.06%	5.23%	4.45%	4.02%	3.85%	3.13%	3.31%	3.33%	31.93%
April - 2002	410	1,446	2,245	2,251	1,840	1,774	1,570	1,191	1,163	995	979	1,051	992	8,678
% of NS Disconnects	1.54%	5.44%	8.44%	8.47%	6.92%	6.67%	5.91%	4.48%	4.37%	3.74%	3.68%	3.95%	3.73%	32.64%

	MONTHS IN SERVICE					TOTAL
	0-3	4-6	7-9	10-12	>12	
October - 2001	4,625	5,091	4,745	3,824	10,365	28,650
% of NS Disconnects	16.14%	17.77%	16.56%	13.35%	36.18%	
November - 2001	3,940	6,352	5,386	3,319	11,013	30,010
% of NS Disconnects	13.13%	21.17%	17.95%	11.06%	36.70%	
December - 2001	4,677	6,524	4,264	2,991	15,040	33,496
% of NS Disconnects	13.96%	19.48%	12.73%	8.93%	44.90%	
January - 2002	7,406	11,785	9,169	7,405	17,980	53,745
% of NS Disconnects	13.78%	21.93%	17.06%	13.78%	33.45%	
February - 2002	4,812	4,582	4,748	4,159	11,799	30,100
% of NS Disconnects	15.99%	15.22%	15.77%	13.82%	39.20%	
March - 2002	7,518	5,256	3,421	2,712	8,869	27,776
% of NS Disconnects	27.07%	18.92%	12.32%	9.76%	31.93%	
April - 2002	6,352	5,184	3,349	3,022	8,678	26,585
% of NS Disconnects	23.89%	19.50%	12.60%	11.37%	32.64%	

***Length in Service = Using the Order Date, Length in Service is the Number of Months between the Install Completion Date and the Disco Completion Date.

APR 2002
NS DISCONNECTS BY MONTHS IN SERVICE
(EXCLUDING MMPS)

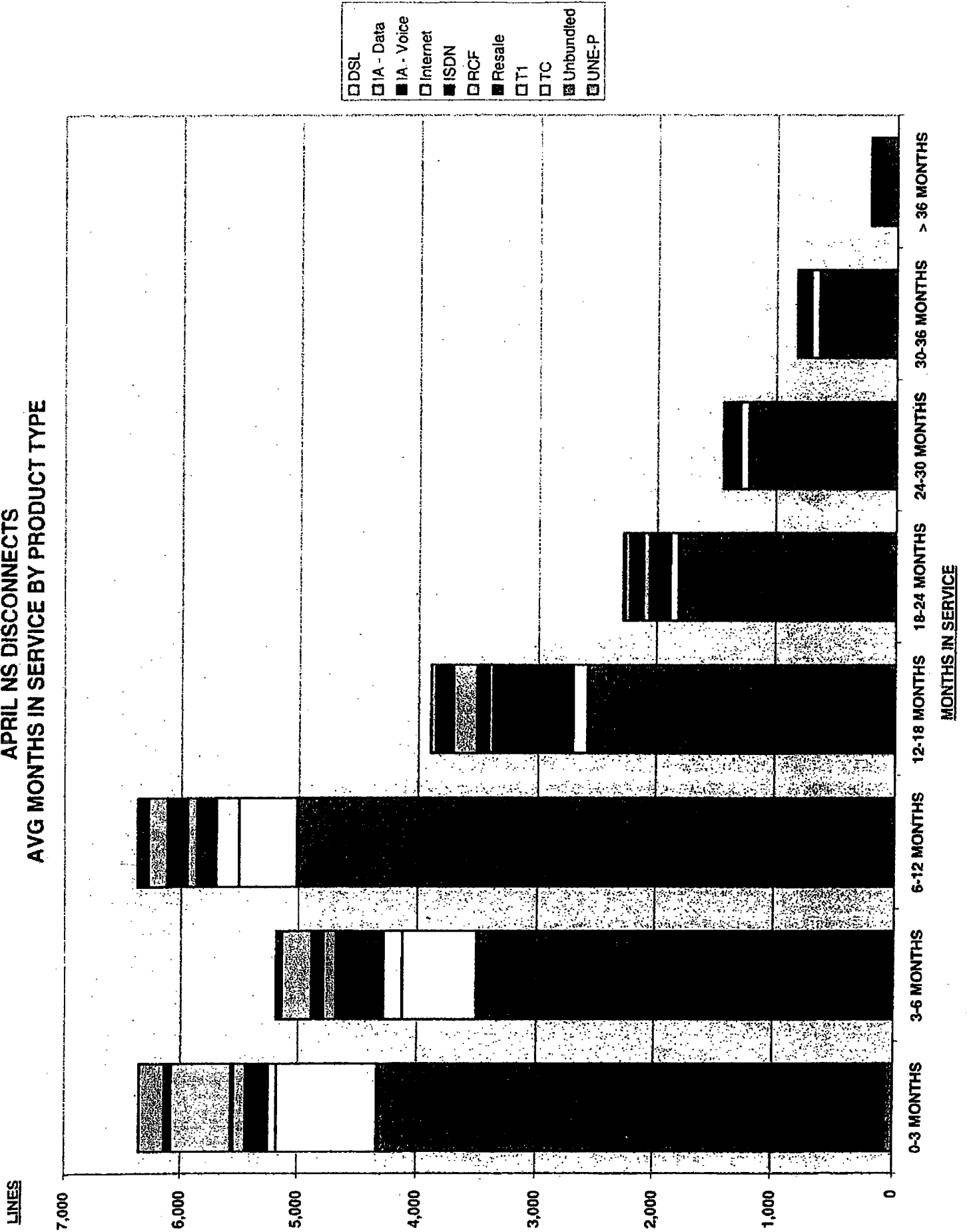
LINES



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Algx-Fin 00604

App. 331

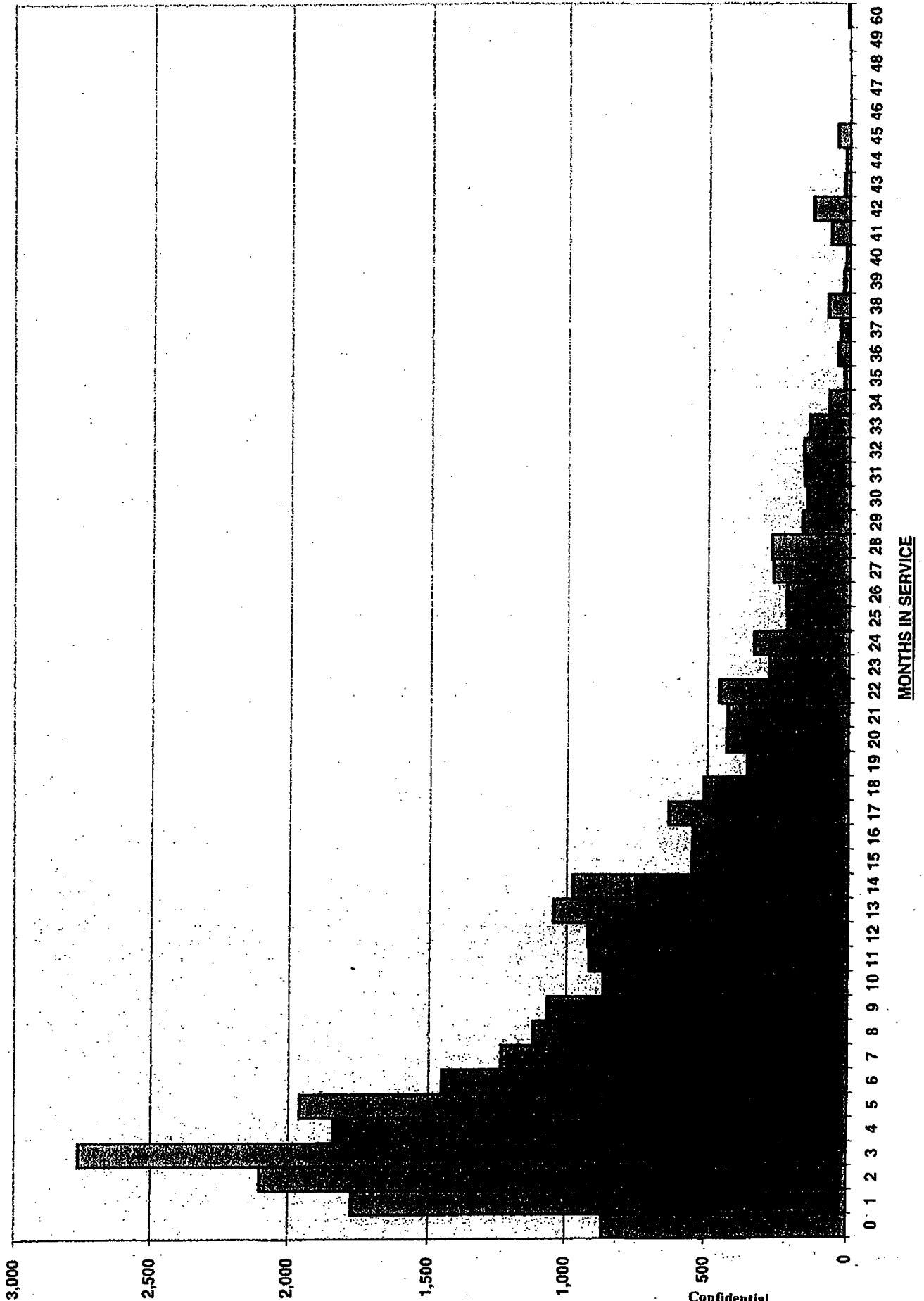
**APRIL NS DISCONNECTS
AVG MONTHS IN SERVICE BY PRODUCT TYPE**



Confidential
Alx-Fin 00605

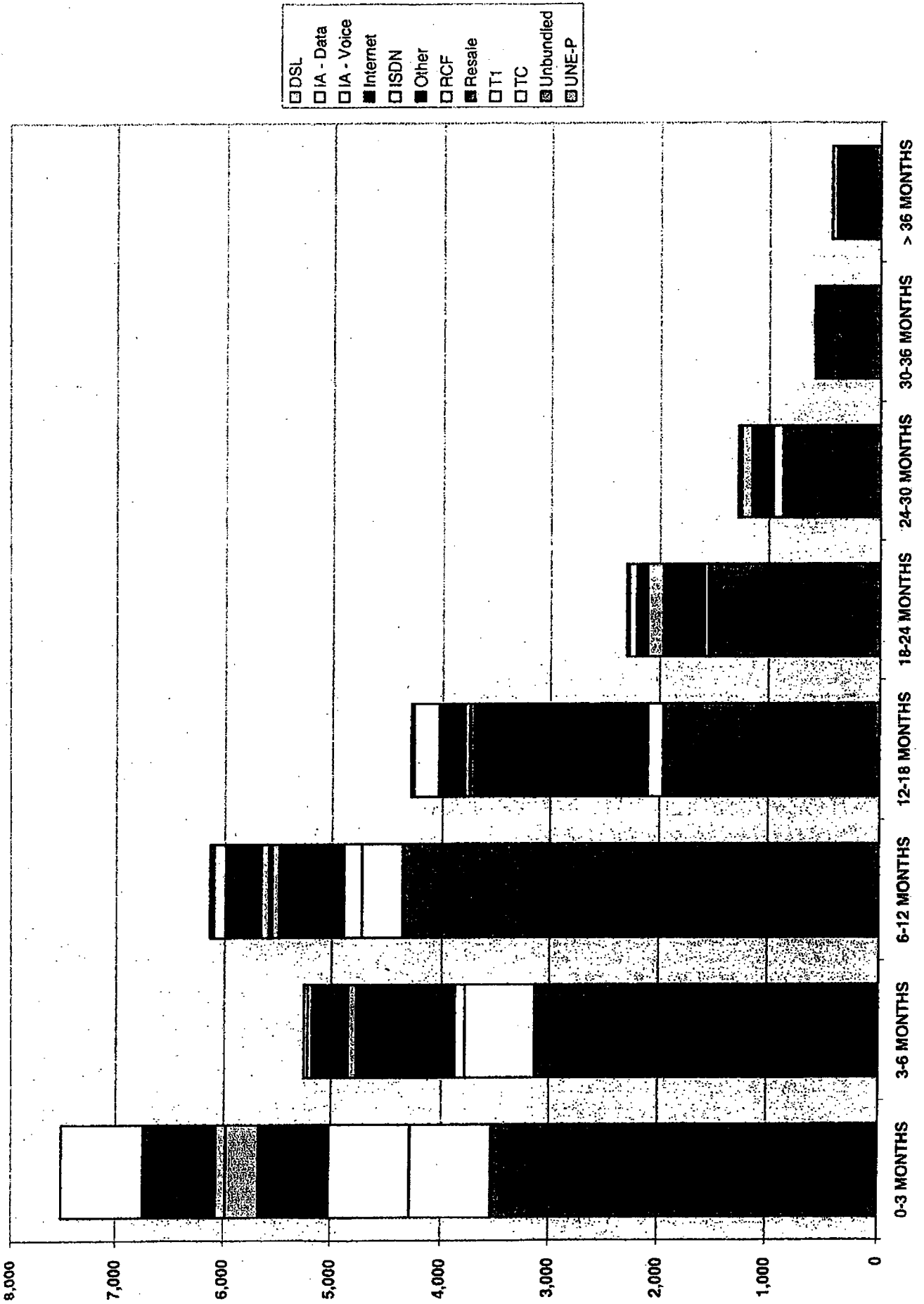
MAR 2002
NS DISCONNECTS BY MONTHS IN SERVICE
(EXCLUDING MMPS)

LINES



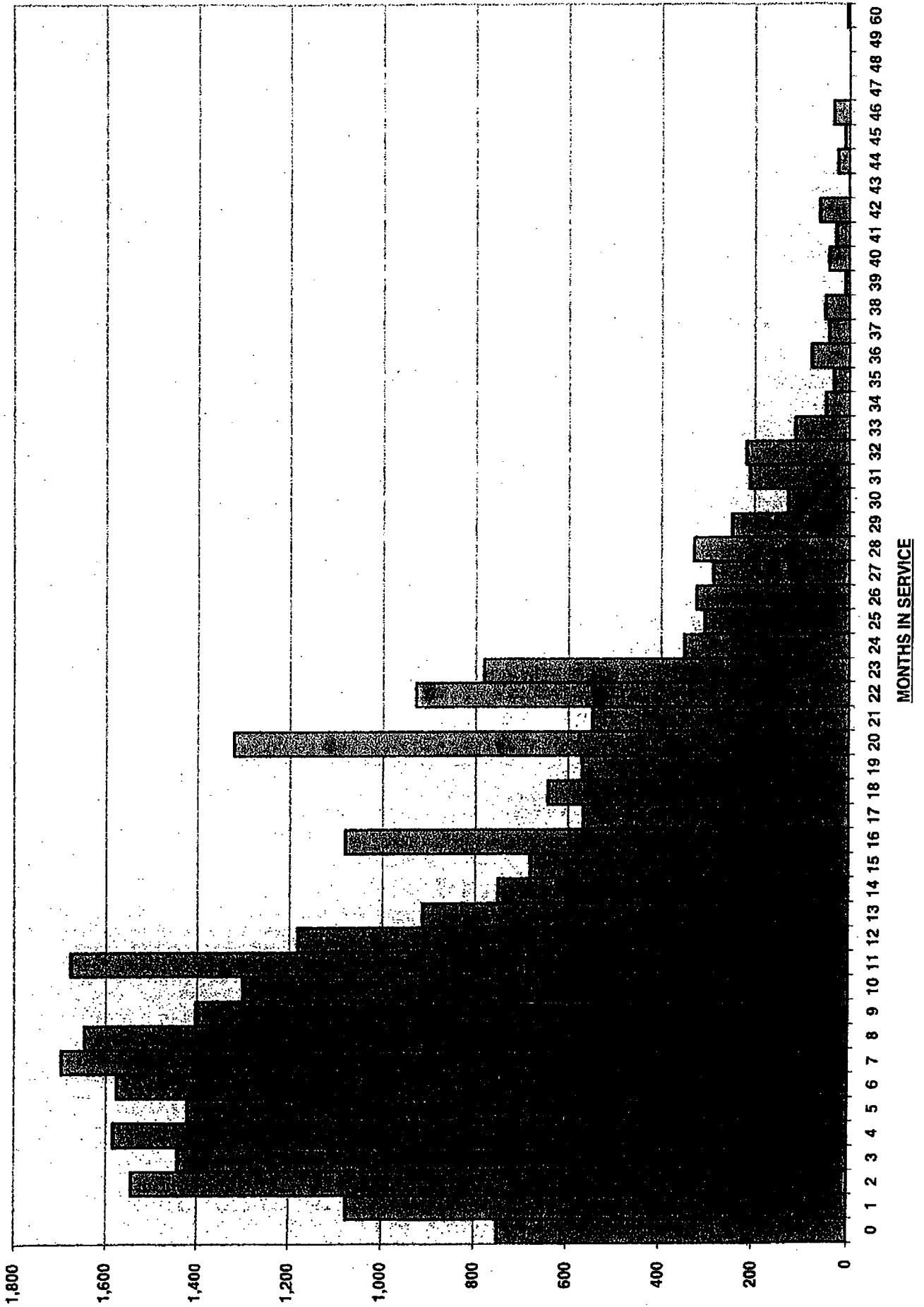
Confidential
Algx-Fin 00606

**MARCH NS DISCONNECTS
AVG MONTHS IN SERVICE BY PRODUCT TYPE**



FEB 2002
NS DISCONNECTS BY MONTHS IN SERVICE
(EXCLUDING MMPS)

LINES

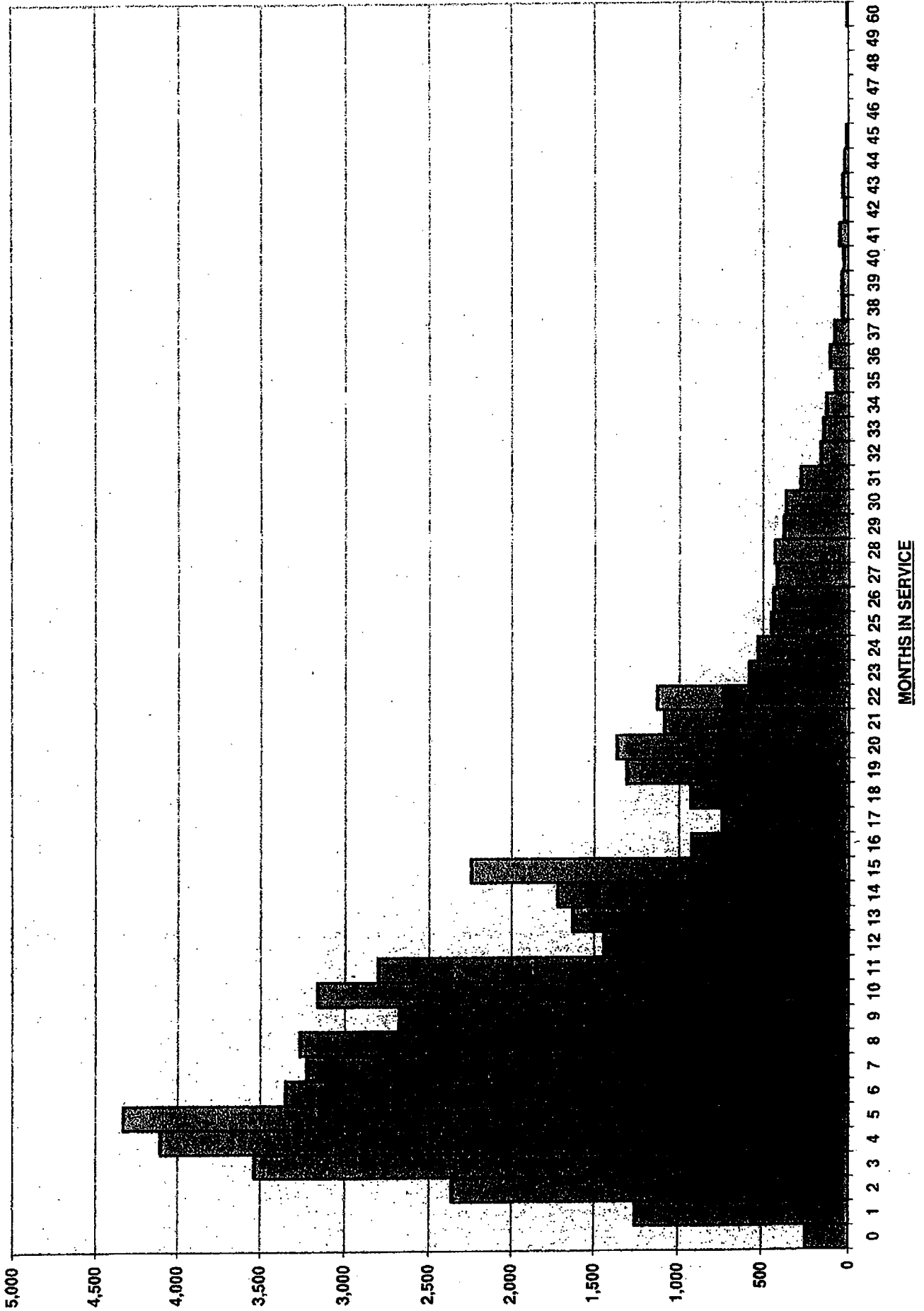


MONTHS IN SERVICE

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JAN 2002
NS DISCONNECTS BY MONTHS IN SERVICE
(EXCLUDING MMPS)

LINES

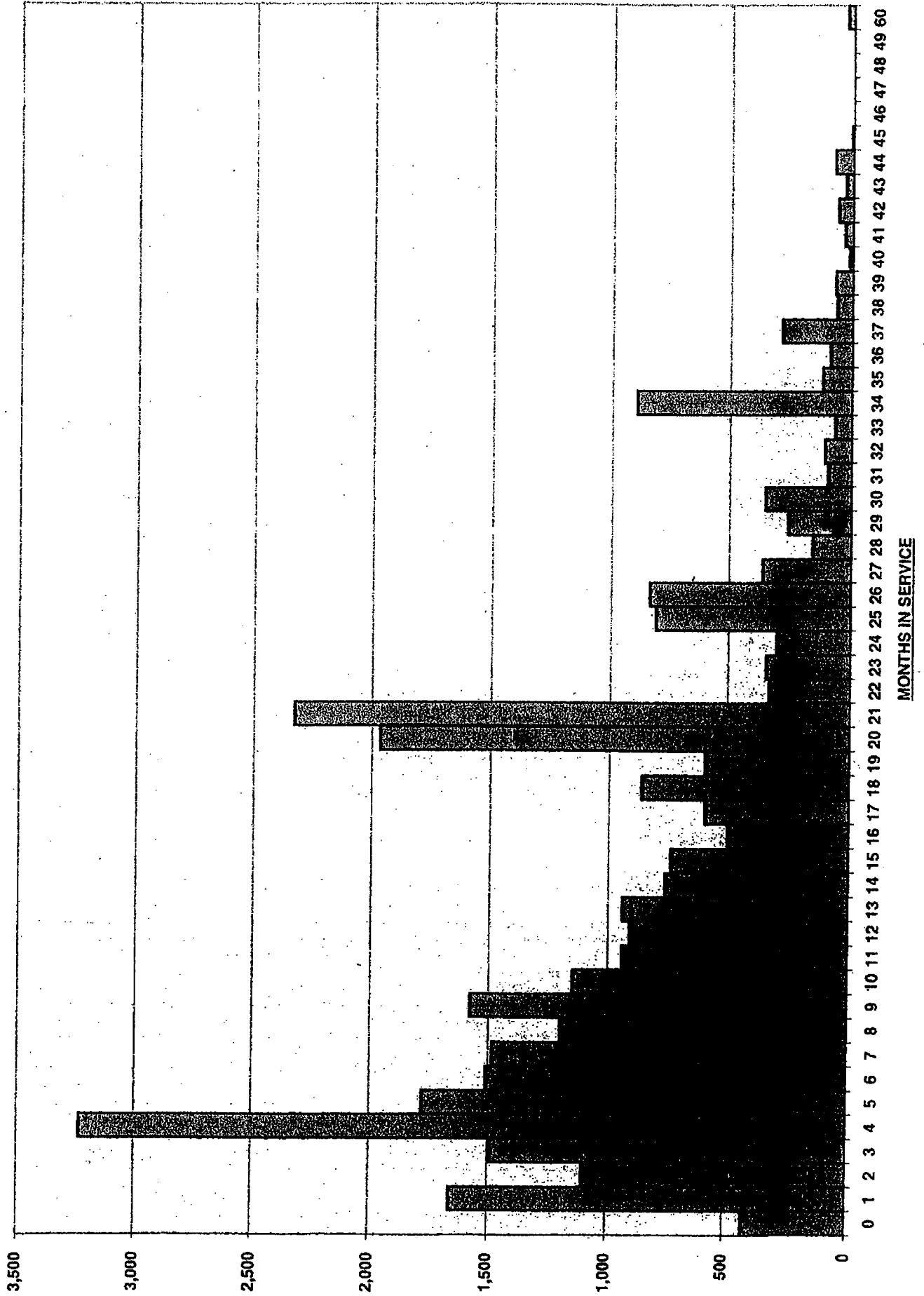


MONTHS IN SERVICE

Confidential
AlgxFin 00609

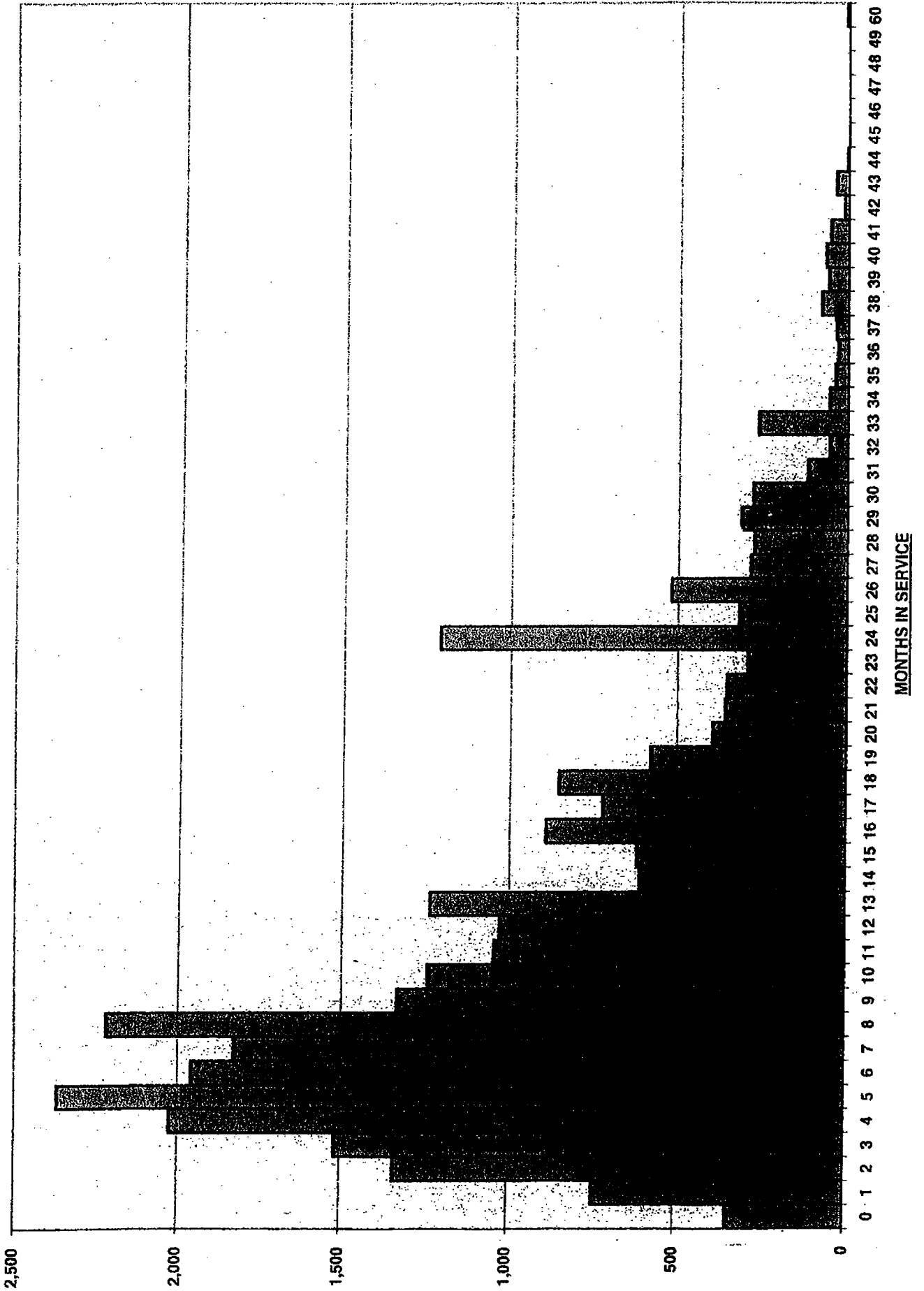
DEC 2001
NS DISCONNECTS BY MONTHS IN SERVICE
(EXCLUDING MMPS)

LINES

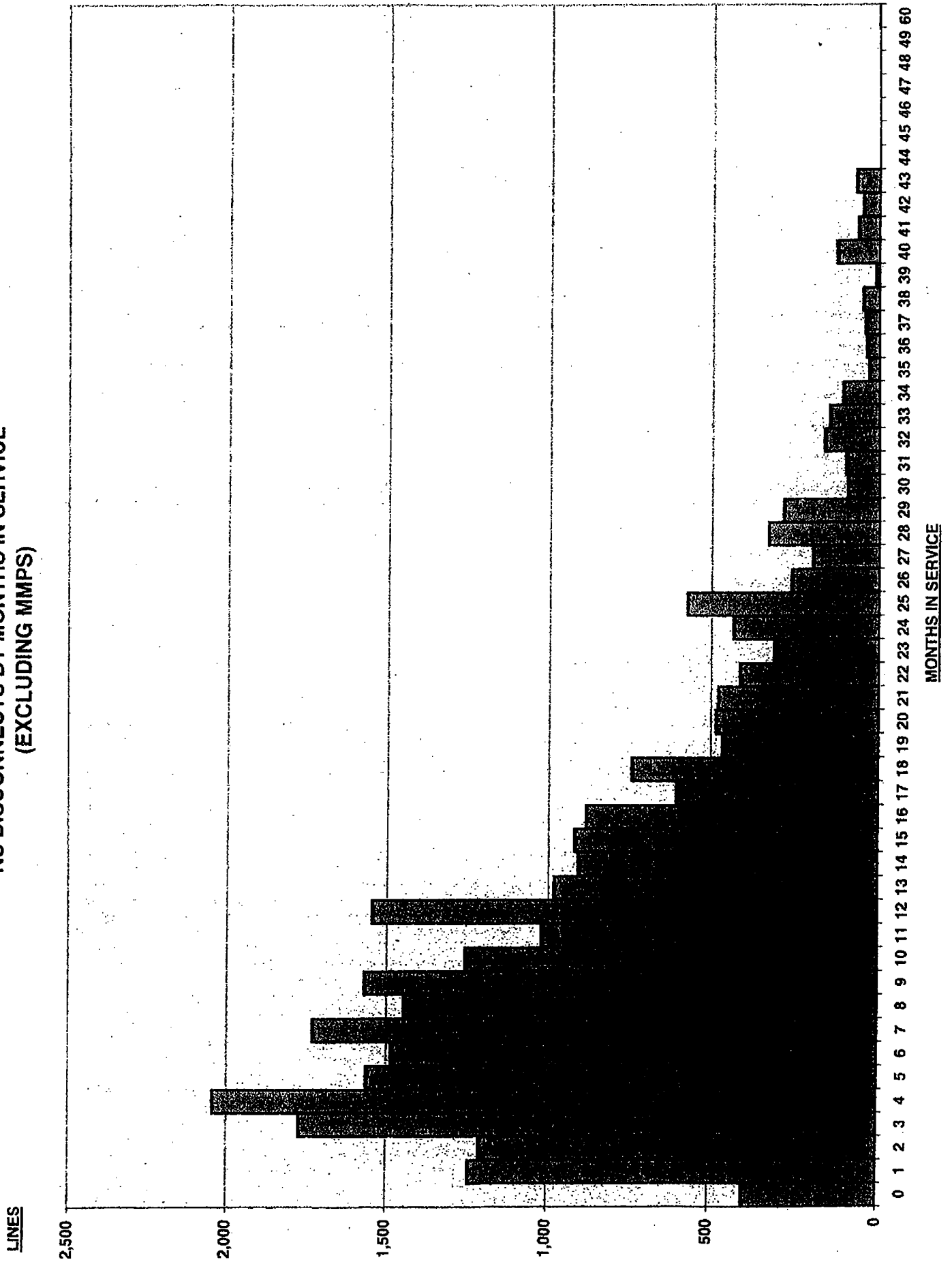


NOV 2001
NS DISCONNECTS BY MONTHS IN SERVICE
(EXCLUDING MMPS)

LINES



OCT 2001
NS DISCONNECTS BY MONTHS IN SERVICE
(EXCLUDING MMPS)



8

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Algx-Fin 00613

App. 340

Exhibit E

Parella, Tony

From: D'Amico, Joe
Sent: Friday, March 09, 2001 1:44 PM
To: Parella, Tony
Subject: FW: Resell to Facilities - call results

Tony here is an update on project silvermine, making a little headway with appts. I'm a little concerned with the number of customers we think are on our service that have already disconnected. Will continue to update.....

-----Original Message-----

From: Nichols, Scott
Sent: Friday, March 09, 2001 1:36 PM
To: D'Amico, Joe; Nichols, Scott
Subject: Resell to Facilities - call results

Joe
Here are the numbers:

Number of calls made - 202

1. Number of appointments set - 16
2. Not interested, with no problems - 31
3. Not interested, with problems - 14
4. Already back to SWB - 33
5. Left message/need to call back next week - 108

Notes

- Several went back to SWB because of billing problems, no help from Customer Care.
- The "not interested, with problems" typically had some service issues, but more billing issues
- The "not interested, with no problems" were already happy with ADSL or didn't need anything beyond dial-up access, or corp office had them set up.
- Over half we could not get in touch with, so we will do another round of calls to those customers next week. Another report will follow.

Thanks!
Scott